

STATE/USIA AUTHORIZATIONS

HEARINGS
BEFORE THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
NINETY-THIRD CONGRESS
SECOND SESSION
ON
S. 3117
TO AUTHORIZE APPROPRIATIONS FOR THE DEPARTMENT OF
STATE, AND FOR OTHER PURPOSES
S. 3118
TO AUTHORIZE APPROPRIATIONS FOR THE UNITED STATES
INFORMATION AGENCY, AND FOR OTHER PURPOSES
AND
S. 3119
TO AMEND THE DEPARTMENT OF STATE APPROPRIATIONS
AUTHORIZATION ACT OF 1973 AND THE FOREIGN SERVICE
BUILDINGS ACT, 1926

MARCH 11 AND 12, 1974



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STATE/USIA AUTHORIZATIONS

MONDAY, MARCH 11, 1974

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice at 10 a.m. in room 4221, The Dirksen Senate Office Building, Senator John Sparkman presiding. Present: Senators Sparkman, Pell, Humphrey, Aiken, Case and Percy.

Senator SPARKMAN. Let the committee come to order, please.

OPENING STATEMENT

This morning and this afternoon the Foreign Relations Committee will conduct its annual hearings on the Department of State authorization bill.

In the past, these hearings have proved valuable both to the committee and, I believe, to the Nation. They have served the purpose of the law that requires the Department of State to keep the Foreign Relations Committee fully and currently informed with respect to all of its activities. We expect the hearings this year to serve the same useful purpose.

The three witnesses we will hear today are the Department of State's three Under Secretaries: Mr. Joseph Sisco, Under Secretary for Political Affairs; Mr. William Casey, Under Secretary for Economic Affairs; and Mr. William Donaldson, Under Secretary for Coordinating Security Assistance.

Mr. Sisco, appearing this morning, has been asked to present an overview of U.S. foreign policy and the Department's budget and to answer questions in those broad areas. Mr. Casey, appearing this afternoon, has been asked to present an overview of international economic policy issues—including trade, monetary and resource problems—and also to discuss the process of interaction among U.S. Government agencies in the formulation and implementation of policy. Also this afternoon, Mr. Donaldson, who has been dealing almost entirely with energy matters, has been asked to present an overview of the international energy picture and, secondarily, to discuss the Department's role in security assistance and political-military decisionmaking in general.

I would like to remind the witnesses of the provision of law that permits witnesses to express their personal opinions and views and to make personal recommendations when so requested by the committee.

Before we begin with the first witness, I will place in the record a copy of the bill, S. 3117, which authorizes a total appropriation of \$792 million for fiscal year 1975 along with certain explanatory material.

[Texts of S. 3117 and S. 3119 and explanatory material follow:]

[S. 3117, 93d Cong., 2d Sess.]

A BILL To authorize appropriations for Department of State, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That this Act may be cited as the "Department of State Appropriations Authorization Act of 1974".

AUTHORIZATION OF APPROPRIATIONS

SEC. 2. There are authorized to be appropriated for the Department of State for the fiscal year 1975, to carry out the authorities, functions, duties, and responsibilities in the conduct of the foreign affairs of the United States, including trade negotiations, and other purposes authorized by law, the following amounts:

- (1) for the "Administration of Foreign Affairs", \$376,135,000;
- (2) for "International Organizations and Conferences", \$229,604,000;
- (3) for "International Commissions", \$112,407,000; of which \$94,575,000 is authorized to be appropriated for the United States Section, International Boundary and Water Commission to undertake such measures as may be required to carry out the agreement with Mexico entitled "Permanent and Definitive Solution to the International Problem of the Salinity of the Colorado River";
- (4) for "Educational Exchange", \$64,914,000;
- (5) for "Migration and Refugee Assistance", \$9,470,000.

SEC. 3. Appropriations made under section 2 of this Act are authorized to remain available until expended.

CERTAIN ADDITIONAL AUTHORIZATIONS OF APPROPRIATIONS

SEC. 4. In addition to amounts authorized by section 2 of this Act, there are authorized to be appropriated for the Department of State for the fiscal year 1975 such additional amounts as may be necessary for increases in salary, pay, retirement, or other employee benefits authorized by law which arise subsequent to the date of enactment of this Act.

SEC. 5. In addition to the authorization contained in section 4 of this Act, there is authorized to be appropriated not to exceed 5 per centum of each amount otherwise authorized in section 2 of this Act for urgent requirements which arise subsequent to the date of enactment of this Act.

LIMITATION ON PAYMENTS

SEC. 6. There are hereby authorized to be appropriated funds for payment prior to January 1, 1975, of United States expenses of membership in the United Nations Educational, Scientific, and Cultural Organization, the International Civil Aviation Organization, and the World Health Organization notwithstanding that such payments are in excess of 25 per centum of the total annual assessment of such organizations.

[S. 3119, 93d Cong., 2d Sess.]

A BILL To amend the Department of State Appropriations Authorization Act of 1973 and the Foreign Service Buildings Act, 1926

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled. That the Department of State Appropriations Authorization Act of 1973 (87 Stat. 451) is amended as follows:

- (1) In section 2(a)(1) thereof, providing authorization of appropriations for the "Administration of Foreign Affairs", strike out "\$282,565,000", and insert in lieu thereof "\$304,568,000".
- (2) In section 2(a)(2) thereof, providing authorization of appropriations for "International Organizations and Conferences", strike out "\$211,279,000" and insert in lieu thereof "\$212,777,000".
- (3) In section 2(b)(1) thereof, providing authorization of appropriations for increases in salary, pay, retirement, or other employee benefits authorized by law, strike out "\$9,328,000" and insert in lieu thereof "\$16,711,000".

SEC. 2. (a) Section 5315 of title 5, United States Code, is amended by adding at the end thereof the following:

"(98) Assistant Secretary for Oceans and International Environmental and Scientific Affairs, Department of State."

(b) Section 5316(109) of such title 5 is repealed.

Sec. 3. Subsection (g) of section 4 of the Foreign Service Buildings Act, 1926 (22 U.S.C. 295), is amended as follows:

(1) In subparagraph (1) (A), strike out "\$590,000" and insert in lieu thereof "\$631,000".

(2) In subparagraph (1) (C), strike out "\$160,000" and insert in lieu thereof "\$204,000".

(3) In subparagraph (1) (E), strike out "\$2,218,000" and insert in lieu thereof the figure "\$2,287,000".

(4) In subparagraph (2), strike out "\$45,800,000" and "\$21,700,000" and insert in lieu thereof "\$48,532,000" and "\$23,066,000", respectively.

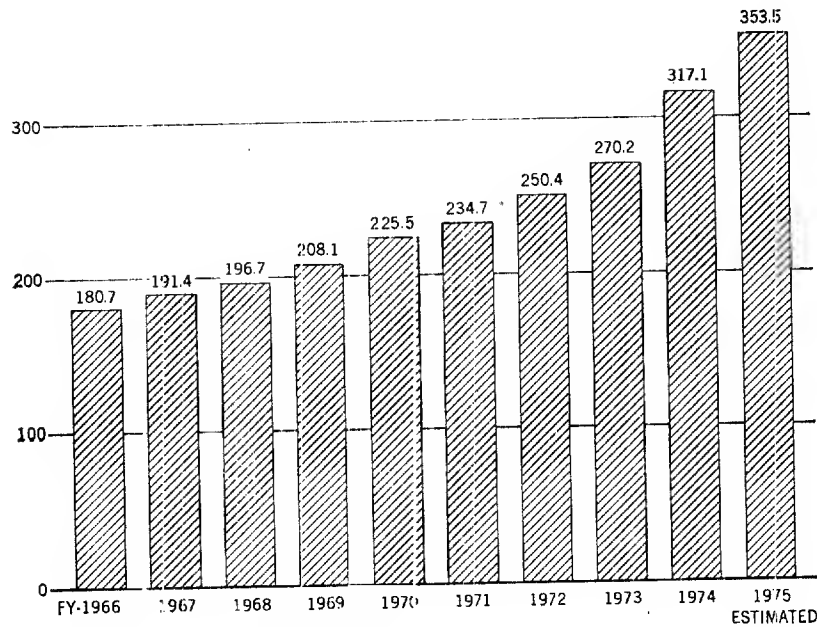
DEPARTMENT OF STATE

COMPARISON OF 1975 ESTIMATES WITH 1974 APPROPRIATIONS

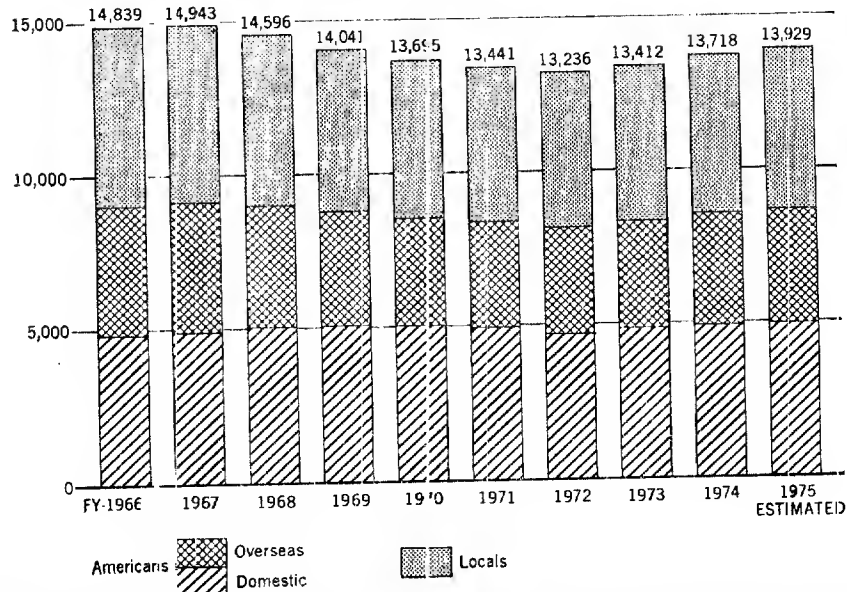
Appropriations	1974	1975	Increase or decrease
ADMINISTRATION OF FOREIGN AFFAIRS			
Salaries and expenses:			
Regular act.....	\$304,000,000	\$353,500,000	+\$49,500,000
Pending supplemental for Federal Salary and Wage Board increases.....	13,130,000		-13,130,000
Total.....	317,130,000	353,500,000	+36,370,000
Acquisition, operation, and maintenance of buildings abroad:			
Regular act.....	21,173,000	22,914,000	+1,741,000
Pending supplemental for Federal salary increases.....	185,000		-185,000
Total.....	21,358,000	22,914,000	+1,556,000
Acquisition, operation, and maintenance of buildings abroad (special foreign currency program).....	5,138,000	4,870,000	-268,000
Emergencies in the Diplomatic and Consular Service.....	2,100,000	2,100,000	
Payment to Foreign Service retirement and disability fund.....	2,972,000	20,535,000	+17,563,000
Subtotal.....	348,698,000	403,919,000	+55,221,000
INTERNATIONAL ORGANIZATIONS AND CONFERENCES			
Contributions to international organizations:			
Regular act.....	200,000,000	214,079,000	+14,079,000
Supplemental appropriation act (Public Law 93-245, unobligated balance lapsing).....	17,337,000		-17,337,000
Total.....	217,337,000	214,079,000	-3,258,000
Missions to international organizations:			
Regular act.....	5,725,000	6,660,000	+935,000
Pending supplemental for Federal salary increases.....	226,000		-226,000
Total.....	5,951,000	6,660,000	+709,000
International conferences and contingencies:			
Regular act.....	4,500,000	6,400,000	+1,900,000
Supplemental appropriation act (Public Law 93-245).....	1,700,000		-1,700,000
Total.....	6,200,000	6,400,000	+200,000
International trade negotiations:			
Regular act.....	1,700,000	2,465,000	+765,000
Pending supplemental for Federal salary increases.....	44,000		-44,000
Total.....	1,744,000	2,465,000	+721,000
Subtotal.....	231,232,000	229,604,000	-1,628,000

SALARIES AND EXPENSES APPROPRIATIONS

Millions of Dollars
400



POSITIONS



COMPARISON OF 1975 ESTIMATES WITH 1974 APPROPRIATIONS—Continued

Appropriations	1974	1975	Increase or decrease
INTERNATIONAL COMMISSIONS			
International Boundary and Water Commission, United States and Mexico:			
Salaries and expenses:			
Regular act.....	4,284,000	4,701,000	+417,000
Pending supplemental for Federal salary and wage board increases.....	311,000		-311,000
Subtotal.....	4,595,000	4,701,000	+106,000
Construction.....	3,800,000	102,306,000	+98,506,000
American sections, international commissions:			
Regular act.....	950,000	1,370,000	+420,000
Pending supplemental for Federal salary increases.....	53,000		-53,000
Subtotal.....	1,003,000	1,370,000	+367,000
International Fisheries Commissions:			
Regular act.....	3,517,000	4,030,000	+513,000
Pending supplemental for Federal salary increases.....	58,000		-58,000
Subtotal.....	3,575,000	4,030,000	+455,000
Total.....	12,973,000	112,407,000	+99,434,000
EDUCATIONAL EXCHANGE			
Mutual educational and cultural exchange activities:			
Regular act.....	49,800,000	57,500,000	+7,700,000
Pending supplemental for Federal salary increases.....	787,000		-787,000
Subtotal.....	50,587,000	57,500,000	+6,913,000
Center for Cultural and Technical Interchange Between East and West.....	6,700,000	7,414,000	+714,000
Total.....	57,287,000	64,914,000	+7,627,000
OTHER			
Payment to International Center, Washington, District of Columbia.....	2,200,000		-2,200,000
TOTAL APPROPRIATIONS			
Regular act.....	618,559,000	810,844,000	+192,285,000
Supplemental Appropriation Act (Public Law 93-245).....	19,037,000		-19,037,000
Pending supplemental for Federal salary and wage board increases.....	14,794,000		-14,794,000
Total, Department of State.....	652,390,000	810,844,000	+158,454,000

ADMINISTRATION OF FOREIGN AFFAIRS

SALARIES AND EXPENSES

This appropriation provides funds for the formulation and execution of the foreign policy of the United States, including the conduct of diplomatic and consular relations with foreign countries, diplomatic relations with international organizations, and related activities.

10-YEAR HISTORY¹

Year	Positions				Amount
	Domestic	Americans	Locals	Total	
1966.....	4,831	4,236	5,772	14,839	\$180,653,000
1967.....	4,890	4,246	5,807	14,943	191,393,000
1968.....	5,028	4,038	5,530	14,596	196,692,000
1969.....	5,043	3,756	5,242	14,041	208,088,600
1970.....	5,023	3,513	5,159	13,695	225,543,251
1971.....	4,920	3,491	5,030	13,441	234,680,000
1972.....	4,696	3,461	5,079	13,236	250,361,000
1973.....	4,805	3,490	5,117	13,412	270,161,500
1974.....	4,933	3,608	5,177	13,718	317,130,000
1975 (estimated).....	4,957	3,689	5,283	13,929	353,500,000

¹ Adjusted for comparability to reflect merger of representation allowances appropriation. Fiscal year 1975 includes 100 positions requested in fiscal year 1974 proposed supplemental.

<i>Budget summary</i>		
Appropriation 1974	-----	\$304, 000, 000
Pending Supplemental for Federal Salary and Wage Board increases	-----	13, 130, 000
Total Appropriation ¹	-----	317, 130, 000
Estimate, 1975:		347, 840,000
Estimate	-----	
Fiscal year 1975 Cost and fiscal year 1974 Proposed Supplemental	-----	5, 660, 000
Total estimate, 1975	-----	353, 500, 000
Increase in appropriation	-----	36, 370, 000

¹ Proposed Supplemental for 1974 excluded.

OTHER APPROPRIATIONS

In addition to the foregoing appropriations carried in the Departments of State, Justice, and Commerce, the Judiciary and Related Agencies Appropriation Act, the following appropriations are made to the Department by other legislative enactments.

	1974	1975	Increase or decrease
Funds appropriated in the Foreign Assistance and Related Agencies Appropriation Act:			
Migration and refugee assistance	\$9, 556, 000	\$9, 470, 000	-\$86, 000
Assistance to refugees from the Soviet Union	36, 500, 000		-36, 500, 000
Administrative and other expenses, sec. 637(b), Foreign Assistance Act	4, 800, 000	5, 900, 000	+1, 100, 000
Subtotal	50, 856, 000	15, 370, 000	-35, 486, 000
Permanent and indefinite appropriations:			
Payment to foreign service retirement and disability fund	15, 200, 000	20, 100, 000	+4, 900, 000
Educational exchange fund, payments by Finland World War I debt	353, 000	352, 000	-1, 000
International center, Washington, D.C.	3, 148, 000	948, 000	-2, 200, 000
Payment to the Republic of Panama	2, 328, 000	2, 328, 000	
Subtotal	21, 029, 000	23, 728, 000	+2, 699, 000
Funds appropriated in the Departments of State, Justice, and Commerce, the Judiciary, and Related Agencies Appropriation Act	652, 390, 000	810, 844, 000	+158, 454, 000
Total, Department of State	124, 275, 000	849, 942, 000	+125, 667, 000

¹ Excludes \$4,800,000 transferred from other accounts by Presidential determination order for assistance to Pakistani refugees in Bangladesh.

The following is a brief description of the activities financed from Other Appropriations

MIGRATION AND REFUGEE ASSISTANCE

This appropriation provides for United States assistance to migrants and refugees through contributions to the Intergovernmental Committee for European Migration, the United Nations High Commissioner for Refugees, and through direct assistance to or in behalf of refugees from various countries. It also includes \$50,000 for an annual U.S. contribution to the International Committee of the Red Cross.

ASSISTANCE TO REFUGEES FROM THE SOVIET UNION

This appropriation in fiscal years 1973 and 1974 provided for United States assistance to Jewish or other similar refugees from the Union of Soviet Socialist Republics. No funds are included for fiscal year 1975.

ADMINISTRATION AND OTHER EXPENSES, SECTION 637 (B), FOREIGN ASSISTANCE ACT

This appropriation provides for the expenses of the U.S. Missions to the North Atlantic Treaty Organization, the Organization for Economic Cooperation and Development, and the Organization for Security and Co-operation in Europe.

Development, administration of the Mutual Defense Assistance Control Act, and the supervision of military assistance and arms sales activities.

PAYMENT TO FOREIGN SERVICE RETIREMENT AND DISABILITY FUND

This is a permanent appropriation authorized by the Foreign Service Act Amendments of 1969 (P.L. 91-201) which requires the Secretary of the Treasury, beginning in 1971, to make annual payments to the retirement fund on a sliding percentage scale of an amount equal to: (1) interest on the unfunded liability, and (2) annuity disbursements attributable to military service.

EDUCATIONAL EXCHANGE FUND, PAYMENTS BY FINLAND, WORLD WAR I DEBT

This is a permanent appropriation derived from amounts paid by the Republic of Finland on its World War I debt. These funds finance an exchange of persons program with Finland.

INTERNATIONAL CENTER, WASHINGTON, D.C.

This is a permanent appropriation representing the funds derived from the proceeds of sale of property owned by the United States, in the northwest section of the District of Columbia, to foreign governments for use as Embassies. These funds will be used to finance the cost of site preparation.

PAYMENT TO THE REPUBLIC OF PANAMA

This is a permanent appropriation for an annual payment to the Government of Panama for rights granted in perpetuity for the construction of the Panama Canal. The annual payment of \$2,095,000 was increased to \$2,328,000 due to further devaluation of the United States dollar (P.L. 93-110). \$518,000 is reimbursed to the Treasury by the Panama Canal Company.

SECTION-BY-SECTION ANALYSIS OF S. 3117

Section 2.—This section provides an authorization of appropriations for the Department of State in accordance with the provisions of Section 407(b) of the Foreign Assistance Act of 1971. Funds are authorized to be appropriated under this legislation for the fiscal year 1975.

This section contains the authorizations for appropriations by category for fiscal year 1975. Apart from the amounts, this section corresponds to subsection 2 of Public Law 93-126, and excludes authorization for the acquisition, operation and maintenance of buildings abroad which is being submitted as separate legislation.

Paragraph (1) authorizes appropriations under the heading "Administration of Foreign Affairs" to provide the necessary funds for the salaries, expenses and allowances of officers and employees of the Department, both in the United States and abroad. It includes funds for executive direction and policy formulation, conduct of diplomatic and consular relations with foreign countries, conduct of diplomatic relations with international organizations, domestic public information activities, central program services, and administrative and staff activities. Further, it provides funds for relief and repatriation loans to United States citizens abroad and for other emergencies of the Department; and payments to the Foreign Service Retirement and Disability Fund.

Paragraph (2) authorizes appropriations under the heading "International Organizations and Conferences." This category provides the necessary funds for United States contributions of its assessed share of the expenses of the United Nations, eight specialized agencies and the International Atomic Energy Agency, six Inter-American organizations, six Regional organizations and seventeen other international organizations. The United States membership in these organizations, which has been authorized by treaties, conventions or specific Acts of Congress, constitutes an obligation for payment of its share of the assessed budgets pursuant to the basic statutes or constitutions of the international agencies. Also included are the necessary funds for the missions which represent the United States at the headquarters of certain international organizations in which the United States has membership or participates pursuant to treaties, conventions or specific Acts of Congress. These missions maintain liaison with the international secretariats and with the delegations of other member governments at the

organizations' headquarters. In addition, provision is made for funding of official United States Government participation in regularly scheduled or planned multilateral intergovernmental conferences, meetings and related activities, including international trade negotiations, and for contributions to new or provisional organizations. Included also are the expenses of Congressional delegations to international parliamentary meetings. This subsection does not include the authorization of appropriations of voluntary contributions to international organizations which are provided for in other Congressional enactments.

Paragraph (3) authorizes appropriations under the heading "International Commissions" which provides funds to enable the United States to fulfill its treaty and other international obligations with Mexico, including the expenses and operations of the American Section of the International Boundary and Water Commission, United States and Mexico; project investigations and construction on the United States-Mexican border. Most prominent among the appropriations to the U.S. Section, International Boundary and Water Commission, are those funds to be used for the resolution of the international problem of the salinity of the Colorado River. Resolution was reached in the agreement Minute No. 242 of the Commission concluded under the 1944 Water Treaty and entitled "Permanent and Definitive Solution to the International Problem of the Salinity of the Colorado River", dated August 30, 1973. This agreement settles an issue plaguing United States and Mexican relations for the past twelve years. The authorization requested provides that the U.S. Section be responsible for carrying out the provisions of the agreement, since it is the agency charged with the administration of the treaty.

Specifically, the appropriation proposed for authorization in the section would be used to:

(a) Construct a desalting complex, including a desalting plant within the boundaries of the United States and a bypass drain for the discharge of the reject stream from the plant and certain other drainage water to the Santa Clara Slough in Mexico, with the part in Mexico to be constructed by the appropriate agencies of the Government of Mexico with funds transferred through this Commission.

(b) Accelerate cooperative water management programs in the Wellton-Mohawk Irrigation and Drainage District to reduce the quantity of drain water pumped by the District and thereby enable reduction in the size and cost of the desalting complex. The measures include assistance to farmers in installing on farm improvements to enhance irrigation efficiencies and

(c) Acquire, to the extent necessary, to further reduce the quantity of drainage flow, lands or interest in lands within the Wellton-Mohawk Division, Gila Project, to reduce the 75,000 irrigable acres authorized by the Act of July 30, 1947 (61 Stat. 628). In consideration of the purchase of irrigable lands and the associated increased cost of operation and maintenance of the irrigating system, repayment obligations of the irrigation district to the United States under existing contracts will be appropriately reduced.

The above measures will be designed and operated with the objective of carrying out the obligations under Minute No. 242 at the least overall cost to the United States.

Also included are the authorization of funds for American Sections, International Commissions, in accordance with existing treaties, for expenses of the American Section of the International Boundary Commission and the International Joint Commission, which are concerned respectively with maintenance of the United States-Canadian border, and environmental and other joint problems involving the United States and Canada. Appropriations are also authorized for expenses, including contributions, to enable the United States to meet its obligations in connection with participation in international fisheries commissions pursuant to treaties or conventions, and implementing Acts of Congress.

Paragraph (4) authorizes appropriations under the heading "Educational Exchange" which provides funds to enable the Secretary of State to carry out his functions under the provisions of the Mutual Educational and Cultural Exchange Act of 1961, as amended, and the Act of August 9, 1939. Funds appropriated under this authorization provide for the educational and cultural program of the Department of State, including the exchange of persons, aid to American sponsored

schools abroad, and cultural presentations. Included also as the authorization of funds to enable the Secretary of State to provide for carrying out the provisions of the Center for Cultural and Technical Interchange Between East and West Act of 1960 by grant to the State of Hawaii. The Center provides grants, fellowships and scholarships to qualified persons from Asia and the Pacific and Americans who work jointly on problems of mutual concern.

Paragraph (5) authorizes appropriations under the heading "Migration and Refugee Assistance" to enable the Secretary of State to provide assistance to migrants and refugees, both on a multilateral basis through contributions to organizations such as the Intergovernmental Committee for European Migration and the United Nations High Commissioner for Refugees, and on a unilateral basis through assistance to refugees designated by the President, as authorized by law. Also included is an authorization of funds for a contribution to the International Committee of the Red Cross pursuant to existing legislation. This subsection does not include the authorization of appropriations for special and emergency refugee relief assistance which is provided for in other Congressional enactments.

Section 3.—This section provides for the customary extension of the availability of funds beyond the end of the fiscal year, to the extent provided for in appropriation Acts, for such appropriations of the Department as "International Boundary and Water Commission, United States and Mexico-Construction", and "Migration and Refugee Assistance". This authority is required to enable the Department to retain funds appropriated for construction projects, the completion of which extends beyond a single fiscal year, and to enable the Department to meet completely the calendar year 1975 program needs for Migration and Refugee Assistance.

Section 4.—This section provides an authorization of appropriations for an expense difficult to determine in advance. Its purpose is to provide authorization of appropriations for increases in salary, pay, retirement or other employee benefits authorized by law which occur from time to time and require supplemental appropriations. The Department is requesting the flexibility to meet such additional mandatory costs without returning for increased authorizations of appropriations prior to the submission of a request for additional or supplemental appropriations.

Section 5.—This section provides authorization of appropriations for urgent activities which arise during the year and which are difficult to determine in advance. Experience has shown that unexpected international events of vital interest to the United States may necessitate urgent requests for additional appropriated funds which may be delayed because of lack of authorization. One recent example is the Middle East War and the resulting Middle East Peace Conference. Similarly, appropriations to support certain initiatives in foreign affairs such as opening a new post in East Berlin could not be obtained this past year because of lack of authorization. The limitation of 5 percent of the amounts previously authorized for each subparagraph in section 2 would allow flexibility to respond to fast-moving world events.

DEPARTMENT OF STATE

COMPARISON OF 1975 DOLLAR AUTHORIZATION REQUEST WITH 1973 AND 1974 APPROPRIATIONS

[In thousands of dollars]

Budget chapter	1973	1974	1975	Increase or decrease
Administration of Foreign Affairs.....	276,070	322,202	376,135	+53,933
International Organizations and Conferences.....	194,250	213,895	229,604	+15,709
International Commissions.....	28,476	12,973	112,407	+99,434
Educational Exchange.....	51,450	57,287	64,314	+7,627
Migration and Refugee Assistance.....	12,566	9,556	9,470	-86
Total.....	562,812	615,913	792,530	+176,617

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COMPARISON OF 1975 POSITION AUTHORIZATION REQUEST WITH 1973 AND 1974 POSITION AUTHORIZATIONS

Budget chapter	1973	1974	1975	Increase or decrease
Administration of Foreign Affairs:				
Americans:				
Domestic.....	4,815	4,933	4,957	+24
Overseas.....	3,450	3,608	3,689	+81
Subtotal.....	8,295	8,541	8,646	+105
Locals.....	5,117	5,177	5,283	+106
Total.....	13,412	13,718	13,929	+211
International Organizations and Conferences:				
Americans:				
Domestic.....	113	126	126	
Overseas.....	56	87	59	+12
Subtotal.....	169	213	225	+12
Locals.....	26	28	28	
Total.....	195	241	253	+12
International Commissions:				
Americans:				
Domestic.....	348	386	592	+206
Overseas.....	2	6	10	+4
Total.....	350	392	602	+210
Educational Exchange:				
Americans: Domestic.....	262	262	262	
Migration and Refugee Assistance:				
Americans:				
Domestic.....	23	23	23	
Overseas.....	7	7	6	-1
Subtotal.....	30	30	29	-1
Locals.....	13	13	11	-2
Total.....	43	43	40	-3
Total:				
Americans:				
Domestic.....	5,551	5,730	5,960	+230
Overseas.....	3,555	3,708	3,804	+96
Subtotal.....	9,106	9,438	9,764	+326
Locals.....	5,156	5,218	5,322	+104
Total.....	14,262	14,656	15,086	+430

¹ For fiscal year 1975 only 330 new positions are requested. The fiscal year 1975 column, however, includes 100 positions requested in a fiscal year 1974 proposed supplement in the category "Administration of Foreign Affairs."

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REPORT ON OVERSEAS EXPENDITURES BY THE U.S. GOVERNMENT

WORLDWIDE SUMMARY (BY AGENCY)

[In thousands of dollars or dollar equivalents]

Country/agency	Expenditures made in dollars	Expenditures made in foreign currencies (dollar equivalents)		Total overseas expenditures
		Charged to appropriations	Not charged to appropriations	
	(1)	(2)	(3)	(4)
ACTION.....	36,366	4,372	666	41,404
Agency for International Development.....	338,693	35,428	381,921	756,042
Agriculture.....	17,387	6,658		24,045
American Battle Monuments Commission.....	2,320	309		2,629
Atomic Energy Commission.....	7,595	442		8,037
Civil Service Commission.....	31,030	1,052		32,082
Commerce.....	7,847	1,377		9,224
Defense.....	4,551,590	173,410	1,322	4,726,322
Environmental Protection Agency.....		2,860		2,860
Export-Import Bank of the United States.....	4,490			4,490
General Services Administration.....	217			217
Health, Education, and Welfare.....	387,735	39,060	1	426,796
Interior.....	54,482	6,227		60,709
Justice.....	10,464	504		10,968
Labor.....	853	21		874
Library of Congress.....	186	2,774		2,960
National Aeronautics and Space Administration.....	31,670	4,121		35,801
National Science Foundation.....	2,859	3,494		6,353
Panama Canal.....	59,738			59,738
Railroad Retirement Board.....	17,074	309		17,383
Smithsonian Institution.....	2,329	420		2,749
State.....	234,016	38,772	929	273,717
Tennessee Valley Authority.....	14,691			14,691
Transportation.....	12,521	45		12,566
Treasury.....	3,788	7,197		10,985
U.S. Information Agency.....	76,101	20,552	34	96,687
U.S. Postal Service.....	33,353	419		33,772
Veterans Administration.....	124,760	7,709		132,469
Undistributed.....	54,525	-54,525		
Total.....	6,118,680	303,017	384,873	6,806,570
Note: Foreign currency balances for U.S. use:				
Nonconvertible.....				1,707,823
Convertible.....				21,876
Total.....				1,729,704

Senator SPARKMAN. Our first witness will be Mr. Joseph Sisco, who is accompanied by Mr. Dean Brown, Deputy Under Secretary for Management.

Mr. Sisco, we will start with your statement.

**STATEMENT OF JOSEPH SISCO, UNDER SECRETARY OF STATE FOR
POLITICAL AFFAIRS; ACCOMPANIED BY DEAN BROWN, DEPUTY
UNDER SECRETARY FOR MANAGEMENT AND SEYMOUR WEISS,
DIRECTOR, BUREAU OF POLITICO AND MILITARY AFFAIRS,
DEPARTMENT OF STATE**

Mr. Sisco. Thank you.

With your permission I would like to ask that the statement be included in the record. To save time I think I will read only certain portions to allow the committee further time for questioning.

Senator SPARKMAN. Very well.

Mr. Sisco. You can see since I have been Under Secretary for Political Affairs for an entire 2 weeks, that you are getting a real expert across the board here this morning.

Senator SPARKMAN. We will take our chances on that. It may be 2 weeks on this, but it has been a good many years in the broad field of foreign relations.

Mr. Sisco. I have sought to make myself an instant expert on all of the areas in the last 2 weeks and I will do my best.

FUNDAMENTAL QUESTIONS

Mr. Chairman, as I prepared this testimony from the point of view of a broad overview, there were three fundamental questions that came to my mind:

First, what kind of world structure can we realistically seek to create, and what are the major obstacles to its creation?

Second, what is the potential and what are the limits of America's contribution to a new global structure?

Third, what is the central foreign policy challenge facing the American people?

We cannot determine the future unilaterally. It is beyond the power of any one country to create a new international order.

CHALLENGE BEFORE UNITED STATES

But two major crises of 1973—in the Middle East and in energy—demonstrated that the United States has a unique contribution to make to a peaceful world order. We have brought Arabs and Israelis from the battlefield to the negotiating table. We have launched the search for a global solution to the global problem of energy. These are facts of international life.

Our interests, our strengths, and our resources compel an active and responsible American role in the world. This does not mean there is or should be a Washington blueprint for every international conflict—military or economic. It does mean a policy of selective engagement on the critical problems of our time.

Through most of my quarter century in the State Department we have faced a relatively frozen international landscape. The challenge was to ease the cold war with the Soviet Union and China and to end hot wars in Korea and Vietnam.

While we are no longer directly engaged in war and the landscape has begun to thaw, it would be a mistake for any of us to take for granted a future of peace. Each of the achievements of recent years

is only partial—foreign policy is a process, not a final product. The danger of nuclear weapons is still self-evident. While our relations with Moscow and Peking are improved, they are still competitive. Peace in the Middle East and Indochina is not yet secure.

Therefore the central challenge before Americans today is not any particular issue but our willingness to persevere, to pursue a consistent framework of policies over a sustained period of time. We falter or tire only at the risk of great peril to all of us.

AREAS OF GREATEST FUTURE IMPACT

Let me devote the remainder of my remarks to the four areas in which our willingness to pursue steady purposes can have the greatest impact on our future.

ALLIES

I. Allies—we are convinced that at the very heart of a stable world must be the community of nations sharing common goals, common ideals, and a common perspective of how to deal with the problems and threats confronting us. New relationships with countries with different systems and outlooks are only possible if old relationships with allies remain strong.

Our alliances with Japan and Western Europe were attained as a result of a World War and have served successfully to deter major threats to global peace for more than a quarter century. Today we must not permit an improved climate in international relations to weaken our strong ties with our allies.

The problem before us is whether the nations of the Atlantic area and Japan, faced with self-evident problems that affect them all, can develop a common approach or whether this relationship is dominated by nationalistic rivalries.

The United States has made clear its choice. In speeches last April and December, Secretary Kissinger made a number of specific proposals to revitalize our alliances. He said:

“We have intensified all levels of consultations with our allies, but consultation must be a two-way street.

“We wish to make steady progress toward the issuance of joint declarations to define the future of our relationships.

“We encourage the development of Western European unity, but not at the expense of the Atlantic unity that is essential to European security and to the resolution of a growing list of global issues.”

There can be no higher priority than to encourage Japan and Western Europe to join us in giving fresh creativity to our alliances based on our common objectives.

NEW RELATIONSHIPS WITH SOVIET UNION AND CHINA

II. New relationships—our debate about the future has centered principally on the kind of relationship we should seek with the Soviet Union and China. Today, I believe, we are free of certain of the illusions of the past, and there is hope for the future. Relations once characterized simply by degrees of hostility are now defined by a complex mixture of competition and cooperation.

These relationships have been described as détente. We do not say that détente is based on the compatibility of domestic systems. We

recognize, and we must remain fully aware, that some of the values and the ideology of both the Soviet Union and the People's Republic of China are opposed and sometimes hostile to ours.

In our relations with the Soviet Union, détente is rooted in the recognition that potential adversaries can bring damage to each other—mutual destruction in the case of the United States and U.S.S.R.—and have a common interest and responsibility in structuring their relationships so as to prevent this risk. Put another way: that the threat of nuclear war is not a rational policy.

In this context, we have made a concerted effort to agree upon rules of conduct that will encourage mutual restraint. We have agreed on basic principles designed to minimize the use of conflict and to prevent nuclear war. We have established communications between the top leaders that make it possible in time of crisis to avoid the danger of accident or miscalculation. We have sought through an organic network of agreements to develop a framework for mutual interests that will give durability to an improvement in Soviet-American relations. It is within this context that we place such emphasis on normalization of the Soviet-American economic relationship which you will shortly be considering.

SALT, MBFR AND CSCE NEGOTIATIONS

The realism of Soviet-American relations in 1974 is demonstrated by the fact that we are engaged with one another in an unprecedented range of negotiations which address the hard political and security issues confronting us and seek to build greater stability. These include:

Strategic Arms Limitation Talks [SALT]—our objectives, to paraphrase the President, are to control military technology and moderate the process of strategic arms growth so that our political relationship with the U.S.S.R., indeed the basic issues of war and peace, will not be dominated by the competition in this area. We seek an agreement that will enhance strategic stability and preserve essential equilibrium of the strategic forces of the two sides.

Mutual and balanced force reductions [MBFR]—here we and our allies hope by patient negotiating effort to probe Soviet willingness to address the real issues of military security in Europe and negotiate an agreement that will maintain the security of both East and West at lower levels of confrontation and cost.

Conference on European Security and Cooperation [CSCE]—broadly stated, the Western objectives in this conference are to reach agreement on principles to guide interstate relations, enhance confidence in military intentions through such measures as advance notification of maneuvers, improve economic and other cooperation, and open the way to broader contacts among the people of the 35 participating states.

Obviously, all of these negotiating initiatives touch on very important political and military interests of the United States and its allies. It is for this reason that we work in concert with them in MBFR and CSCE, and consult closely on SALT.

NEW RELATIONSHIP WITH PEOPLE'S REPUBLIC OF CHINA

Our new relationship with the People's Republic of China is also contributing to a more hopeful environment for peace, particularly in Asia. In 1973 we strengthened our dialog by establishing liaison offices in each other's capitals, by Secretary Kissinger's two visits to Peking, and by a substantial expansion of economic and other exchanges. In 1974 we will strive to deepen our dialog, to give durable form and content to our relationship. We have indeed come a long way since our first efforts in 1969 and since the President's trip to Peking in 1972. But we have a long way still to go.

MAINTAINING APPROPRIATE LEVEL OF MILITARY STRENGTH

To build a more peaceful world, America requires the confidence of our allies and the respect of those with different social systems. A strong defense is an essential element as a means of accomplishing both. We will not allow the United States to be second to any nation in its conventional and nuclear forces. It is a fact that the Soviet Union is making a major military effort—improving its capability in Europe, expanding its seapower, and pursuing major new strategic nuclear programs still permitted under the interim agreements.

The task of maintaining an appropriate level of military strength is a complex one, affected by the dynamics of technological progress, political power, and pressing domestic priorities. For a quarter century, the Congress and five separate administrations have met this task together and provided America with an adequate defense. It is essential that cooperation continue to this end.

MIDDLE EAST

III. Middle East—the recent Middle East and energy crisis have clearly demonstrated that our efforts to achieve common international objectives are more than intellectual exercises. Our labor in this critical area demonstrates our willingness to persevere, to take bold diplomatic moves in the knowledge that the seeds of war remain, and that there can be no lasting structure of global peace without a durable peace in the Middle East.

The fourth war in a quarter century between Arabs and Israelis has changed the objective conditions in the area. It has also changed the perception of each side toward the other. From four recent trips to the area, I have the impression that people there are weary and desirous of raising their sights.

In these circumstances, there is hope in the step-by-step approach we have adopted. Both sides want the United States to play a constructive role. Both Egypt and Israel have gained from the disengagement of forces agreement achieved this past January. This first step toward a final settlement has been implemented with impeccable good faith by both sides. The separation of forces has reduced the likelihood of renewal of hostilities on this front. And above all, the Egyptian-Israeli disengagement agreement could become in time the kind of practical test of peace on the ground which can build con-

fidence between adversaries and help break the shackles of past suspicions.

The task at hand now is to seek to achieve something similar on the Syrian-Israeli front. The Israeli Government is sending a high-level representative to Washington within 2 weeks, and Syria has agreed to do the same in the near future. This is no more than a beginning, but a significant beginning in a slow and agonizing effort to reconcile objectives that in many respects seem contradictory. But for the first time in my years of work on this problem, it is possible to begin to perceive how the process toward peace can be carried forward.

EMERGING ISSUES

IV. Emerging Issues—throughout history, the clash of economic interests has been an important cause of war and a major obstacle to peace. But following the Second World War, we erected a monetary and trading system which channeled the pursuit of economic gain into peaceful competition. Now a whole set of emerging problems—energy and raw material shortages, food and population imbalance, rampant global inflation—threaten to overwhelm the system and return the world to the sort of economic conflict which traditionally has led to war.

Just as we have begun to understand that the dangers of the arms race impose cooperation upon us, new races have begun: for the Earth's limited resources, for the oceans, for technology, for capital. And just as we are striving to avert nuclear catastrophe, we must now work to deter new economic chaos. To overcome these potential obstacles to peace, we must assure that all nations—rich and poor, resource producing and consuming—have a stake in an expanding global economy. Only then will all have a vested interest in the stability of the international order.

As Secretary Kissinger made clear before the members of the Senate Committee on Finance last week, we attach great importance to the foreign policy aspects of the trade bill which is presently being considered by Congress. There is no doubt in our mind that the international political situation will be deeply affected by the way in which we carry out our trade and economic relations. It is in the U.S. national interest that we have the necessary flexibility to negotiate agreements that can be mutually beneficial, and by so doing to avoid returning to the days unbridled competition and hostility.

At the same time, let me say a word about IDA [International Development Association]. We are deeply concerned that a congressional decision against IDA replenishment would signal to the world that America has lost interest. The consequences would be serious in our judgment not only for the survival of the poor but for the possibility of a cooperative world order.

I began by noting that in both major crises of 1973, the United States made unique and substantial contributions—bringing the parties from the battlefield to the negotiating table in the Middle East and taking the first step toward international cooperation in energy. These achievements confirm both the necessity and the rewards of an outward looking, international America. The world continues to look to us for leadership.

We have established a solid foundation on which to build a structure of peace. But the task we have set ourselves cannot be completed in one

administration or in one decade. It will require sustained and co-operative participation by the Congress and the executive branch bulked and supported by the American people. I believe this can be achieved.

AUTHORIZATION REQUEST

On a final word about the State Department budget and the resources that are required for an American foreign policy which protects our interest and helps sustain our efforts toward peace.

As you know, the Department of State has the smallest total budgetary requirement of any Cabinet-level Department. For the next fiscal year, we are requesting authorization for \$792.5 million, an increase of \$110.7 million. Three-quarters of this sum is required to meet statutory increases such as our assessed contributions to international organization, contributions to the Foreign Service Retirement Fund, statutory salary increases, and overseas operating expenses.

Other significant increases are requested for the international salinity project on the Colorado River and for the educational exchange program.

STATEMENT FOR FISCAL YEAR 1974 AMENDMENTS

Mr. Chairman, as requested, I have a prepared statement for the Department's fiscal year 1974 amendments, which I am pleased to submit for the record.

Thank you, Mr. Chairman.

[Mr. Sisco's prepared and supplemental statements follow:]

PREPARED STATEMENT OF HON. JOSEPH J. SISCO, UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS

Mr. Chairman, members of the Senate Foreign Relations Committee, I have been Under Secretary for Political Affairs for only about 2 weeks. I have appeared on a number of occasions before this committee—as Assistant Secretary of International Organization Affairs and as Assistant Secretary of Near Eastern Affairs. I am pleased to be here in my new capacity. This morning I shall try to present my testimony on the basis of a broad overview.

Three fundamental questions come to mind:

First, what kind of world structure can we realistically seek to create, and what are the major obstacles to its creation?

Second, what is the potential and what are the limits of America's contribution to a new global structure?

Third, what is the central foreign policy challenge facing the American people?

We need a vision of the future—of the world in which we want to live—to give meaning, context and direction to specific policies. We need a better understanding of the obstacles to peace and the realities of our influence.

We cannot determine the future unilaterally. It is beyond the power of any one country to create a new international order.

But two major crises of 1973—in the Middle East and in energy—demonstrated that the United States has a unique contribution to make to a peaceful world order. We have brought Arabs and Israelis from the battlefield to the negotiating table. We have launched the search for a global solution to the global problem of energy. These are facts of international life.

Our interests, our strengths and our resources compel an active and responsible American role in the world. This does not mean there is or should be a Washington blueprint for every international conflict—military or economic. It does mean a policy of selective engagement on the critical problems of our time.

Through most of my quarter century in the State Department we have faced a relatively frozen international landscape. The challenge was to ease the Cold

War with the Soviet Union and China and to end hot wars in Korea and Vietnam.

While we are no longer directly engaged in war and the landscape has begun to thaw, it would be a mistake for any of us to take for granted a future of peace. Each of the achievements of recent years is only partial—foreign policy is a process, not a final product. The danger of nuclear weapons is still self-evident. While our relations with Moscow and Peking are improved they are still competitive. Peace in the Middle East and Indochina is not yet secure.

Therefore the central challenge before Americans today is not any particular issue but our willingness to persevere, to pursue a consistent framework of policies over a sustained period of time. We falter or tire only at the risk of great peril to all of us.

Let me devote the remainder of my remarks to the four areas in which our willingness to pursue steady purposes can have the greatest impact on our future.

I. ALLIES

We are convinced that at the very heart of a stable world must be the community of nations sharing common goals, common ideals and a common perspective of how to deal with the problems and threats confronting us. New relationships with countries with different systems and outlooks are only possible if old relationships with allies remain strong.

Our alliances with Japan and Western Europe were attained as a result of a World War and have served successfully to deter major threats to global peace for more than a quarter century. Today we must not permit an improved climate in international relations to weaken our strong ties with our allies.

The problem before us is whether the nations of the Atlantic area and Japan, faced with self-evident problems that affect them all, can develop a common approach or whether this relationship is dominated by nationalistic rivalries.

The United States has made clear its choice. In speeches last April and December, Secretary Kissinger made a number of specific proposals to revitalize our alliances. He said:

We have intensified all levels of consultation with our allies, but consultation must be a two-way street.

We wish to make steady progress toward the issuance of joint declarations to define the future of our relationships.

We encourage the development of Western European unity, but not at the expense of the Atlantic unity that is essential to European security and to the resolution of a growing list of global issues.

There can be no higher priority than to encourage Japan and Western Europe to join us in giving fresh creativity to our alliances based on our common objectives.

II. NEW RELATIONSHIPS

Our debate about the future has centered principally on the kind of relationship we should seek with the Soviet Union and China. Today, I believe, we are free of certain of the illusions of the past, and there is hope in the future. Relations once characterized simply by degrees of hostility are now defined by a complex mixture of competition and cooperation.

These relationships have been described as detente. We do not say that detente is based on the compatibility of domestic systems. We recognize, and we must remain fully aware, that some of the values and the ideology of both the Soviet Union and the People's Republic of China are opposed and sometimes hostile to ours.

In our relations with the Soviet Union, detente is rooted in the recognition that potential adversaries can bring damage to each other—mutual destruction in the case of the U.S. and USSR—and have a common interest and responsibility in structuring their relationships so as to prevent this risk. Put another way: that the threat of nuclear war is not a rational policy.

In this context, we have made a concerted effort to agree upon rules of conduct that will encourage mutual restraint. We have agreed on basic principles designed to minimize the use of conflict and to prevent nuclear war. We have established communications between the top leaders that make it possible in time of crisis to avoid the danger of accident or miscalculation. We have sought through an organic network of agreements to develop a framework for mutual interests that will give durability to an improvement in Soviet-American relations. It is within this context that we place such emphasis on normalization of the Soviet-American economic relationship which you will shortly be considering.

If there is no rational alternative to the pursuit of detente, what is the current state of detente? In 1973 our relationship with the Soviet Union was sorely tested by a war in the Middle East which neither of us sought. This tense period demonstrated once again that we cannot take our relationship for granted, that we must work to institutionalize the relationship we have forged.

The realism of Soviet-American relations in 1974 is demonstrated by the fact that we are engaged with one another in an unprecedented range of negotiations which address the hard political and security issues confronting us and seek to build greater stability. These include:

Strategic Arms Limitation Talks.—Our objectives, to paraphrase the President, are to control military technology and moderate the process of strategic arms growth so that our political relationship with the USSR, indeed the basic issues of war and peace, will not be dominated by the competition in this area. We seek an agreement that will enhance strategic stability and preserve essential equilibrium of the strategic forces of the two sides.

Mutual and Balanced Force Reductions.—Here we and our allies hope by patient negotiating effort to probe Soviet willingness to address the real issues of military security in Europe and negotiate an agreement that will maintain the security of both East and West at lower levels of confrontation and cost.

Conference on European Security and Cooperation.—Broadly stated, the Western objectives in this conference are to reach agreement on principles to guide interstate relations, enhance confidence in military intentions through such measures as advance notification of maneuvers, improve economic and other cooperation, and open the way to broader contacts among the people of the 35 participating states.

Obviously, all of these negotiating initiatives touch on very important political and military interests of the U.S. and its allies. It is for this reason that we work in concert with them in MBFR and CSCE, and consult closely on SALT.

Our new relationship with the People's Republic of China is also contributing to a more hopeful environment for peace, particularly in Asia. In 1973 we strengthened our dialogue by establishing liaison offices in each other's capitals, by Secretary Kissinger's two visits to Peking, and by a substantial expansion of economic and other exchanges. In 1974 we will strive to deepen our dialogue, to give durable form and content to our relationship. We have indeed come a long way since our first efforts in 1969 and since the President's trip to Peking in 1972. But we have a long way still to go.

To build a more peaceful world, America requires the confidence of our allies and the respect of those with different social systems. A strong defense is an essential element as a means of accomplishing both. We will not allow the United States to be second to any nation in its conventional and nuclear forces. It is a fact that the Soviet Union is making a major military effort—improving its capability in Europe, expanding its sea power, and pursuing major new strategic nuclear programs still permitted under the Interim Agreements.

The task of maintaining an appropriate level of military strength is a complex one, affected by the dynamics of technological progress, political power and pressing domestic priorities. For a quarter century the Congress and five separate Administrations have met this task together and provided America with an adequate defense. It is essential that cooperation continue to this end.

III. MIDDLE EAST

The recent Middle East and energy crises have clearly demonstrated that our efforts to achieve common international objectives are more than intellectual exercises. Our labor in this critical area demonstrates our willingness to persevere, to take bold diplomatic moves in the knowledge that the seeds of war remain, and that there can be no lasting structure of global peace without a durable peace in the Middle East.

The fourth war in a quarter century between Arabs and Israelis has changed the objective conditions in the area. It has also changed the perception of each side towards the other. From four recent trips to the area, I have the impression that people there are weary and desirous of raising their sights.

In these circumstances, there is hope in the step-by-step approach we have adopted. Both sides want the U.S. to play a constructive role. Both Egypt and Israel have gained from the disengagement of forces agreement achieved this past January. This first step towards a final settlement has been implemented with impeccable good faith by both sides.

The separation of forces has reduced the likelihood of renewal of hostilities on this front. And above all, the Egyptian-Israeli disengagement agreement could become in time the kind of practical test of peace on the ground which can build confidence between adversaries and help break the shackles of past suspicions.

The task at hand now is to seek to achieve something similar on the Syrian-Israeli front. The Israeli Government is sending a high-level representative to Washington within two weeks and Syria has agreed to do the same in the near future. This is no more than a beginning, but a significant beginning in a slow and agonizing effort to reconcile objectives that in many respects seem contradictory. But for the first time in my years of work on this problem, it is possible to begin to perceive how the process toward peace can be carried forward.

IV. EMERGING ISSUES

Throughout history the clash of economic interests has been an important cause of war and a major obstacle to peace. But following the Second World War we erected a monetary and trading system which channeled the pursuit of economic gain into peaceful competition. Now a whole set of emerging problems—energy and raw material shortages, food and population imbalance, rampant global inflation—threaten to overwhelm the system and return the world to the sort of economic conflict which traditionally has led to war.

Just as we have begun to understand that the dangers of the arms race impose cooperation upon us, new races have begun: for the earth's limited resources, for the oceans, for technology, for capital. And just as we are striving to avert nuclear catastrophe, we must now work to deter new economic chaos. To overcome these potential obstacles to peace, we must assure that all nations—rich and poor, resource producing and consuming—have a stake in an expanding global economy. Only then will all have a vested interest in the stability of the international order.

As Secretary Kissinger made clear before the Members of the Senate Committee on Finance last week, we attach great importance to the foreign policy aspects of the Trade Bill which is presently being considered by Congress. There is no doubt in our mind that the international political situation will be deeply affected by the way in which we carry out our trade and economic relations. It is in the U.S. national interest that we have the necessary flexibility to negotiate agreements that can be mutually beneficial, and by so doing to avoid returning to the days of unbridled competition and hostility.

A prosperous multilateral trading relationship is one of the bases of the political approach that we have adopted in our relationship with the advanced industrialized nations of the West since World War II. A breakdown in this system would be contrary to our interests.

The recent energy crisis has demonstrated the risks inherent in nations trying to resolve their problems unilaterally. The recent Washington Energy Conference was an initial step toward recognition of the necessity to deal with multilateral problems on a multilateral basis.

On the question of trade, our approach has been that all the major trading nations must act in concert and in the common interest. We have recognized the necessity of expanding the flow of trade between the industrialized and developing countries of the world. One way we seek to do this is by the extension of a system of generalized tariff preferences to developing countries.

In short, we seek:

- to reduce trade barriers among the industrialized countries and to help meet the demands of developing countries by the expansion of their exports so that they can proceed with the tasks of economic and social development;

- to normalize trade relations between the U.S. and the Soviet Union and the countries of Eastern Europe; and

- to enhance global economic relationships on a multilateral basis, for the benefit of the world's peoples.

And we are encouraged by the results of our meeting with the Latin American Foreign Ministers in Mexico to believe that the developing nations can participate more fully in the benefits of this kind of international order. We have initiated a new dialogue—brought a new spirit to our relationship so that this Hemisphere can make a decisive contribution to an interdependent world. We are developing an agenda of cooperation in such areas as science and technology, consultation on multilateral trade and monetary issues, the role of transnational corporations, the problems of development.

And, of course, it is important that the United States do its share. We are deeply concerned that a Congressional decision against IDA replenishment would signal to the world that America has lost interest. The consequences would be serious not only for the survival of the poor but for the possibility of a cooperative world order.

V. CONCLUSION

I began by noting that in both major crises of 1973 the United States made unique and substantial contributions—bringing the parties from the battlefield to the negotiating table in the Middle East and taking the first step toward international cooperation in energy. These achievements confirm both the necessity and the rewards of an outward-looking, internationalist America. The world continues to look to us for leadership.

We have established a solid foundation on which to build a structure of peace. But the task we have set ourselves cannot be completed in one administration, or in one decade. It will require sustained and cooperative participation by the Congress and the Executive Branch bulwarked and supported by the American people. I believe this can be achieved.

Let me conclude with a brief mention of the resources required for an American foreign policy which protects our interests and helps sustain our efforts towards peace. As you know, the Department of State has the smallest total budgetary requirements of any Cabinet-level Department. For the next fiscal year we are requesting authorization for appropriations of \$792.5 million—an increase of \$110.7 million. Three-quarters of this sum is required to meet statutory or mandatory increases such as our assessed contributions to international organizations, contribution to the Foreign Service Retirement Fund, statutory salary increases and overseas operating expenses. Other significant increases are requested for the International Salinity Project on the Colorado River and for the educational exchange program. Mr. Chairman: As requested, I have a prepared statement for the Department's Fiscal Year 1974 amendments which I am pleased to submit for the record.

Departmental representatives are with me and are prepared to answer questions you may have regarding the details of these budgetary requests.

STATEMENT OF JOSEPH J. SISCO, UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS REGARDING FY 1974 AMENDMENTS

Mr. Chairman and Members of the Committee: I appreciate the opportunity to appear before your Committee today in support of our requested amendment to the Department of State's Appropriations Authorization Act of 1973, Public Law 93-126. The amendments requested provide for increases of \$22.4 million for the Administration of Foreign Affairs; \$1.5 million for International Organizations and Conferences; \$7.4 million for the 1974 costs of the Federal Salary increases authorized in January and October, 1973; and \$1.5 million for the Foreign Service Buildings Program.

ADMINISTRATION OF FOREIGN AFFAIRS

The President's initiatives in foreign affairs have opened vital opportunities for furthering mutually advantageous relations among nations. Our proposed authorization amendment for Administration of Foreign Affairs will allow us to increase our representation abroad by opening new posts in East Berlin, German Democratic Republic; Ulaanbaatar, Mongolian Peoples Republic; and Port Moresby, New Guinea and will enable us to provide adequately for additional support costs of our operations in Washington and overseas which have occurred in the last several months. These estimates total \$7.0 million. In addition, there is an increase of \$15.6 million which will allow the Department to comply with the law requiring payments to the Foreign Service Retirement and Disability Fund over a thirty year period to cover the unfunded liability caused by transfers of new groups of employees into the Foreign Service Retirement System. Public Law 93-189, which became law December 19, 1973, provided for the transfer of approximately 2,500 employees of the Agency for International Development into the Foreign Service Retirement System. The amount of \$15.6 million was calculated by the Treasury Department Actuary as that necessary for the first of thirty equal annual payments required by law. These estimates total \$22.6 million; however, as there is \$597 thousand of unused authorization available only \$22.0 million additional authorization is requested.

INTERNATIONAL ORGANIZATIONS AND CONFERENCES

The increase of \$1.5 million requested for the category "International Organizations and Conferences" will allow us to request a supplemental appropriation of \$2.3 million for the remainder of the United States contribution to the International Labor Organization (ILO). The FY 1974 Appropriation Act was nearly \$2.5 million less than the authorization of P.L. 93-126. However, \$1.7 million of that authority was used for an urgent supplemental appropriation to provide for the Middle East Peace Conference and continuation of the Conference on Security and Cooperation in Europe. Coupled with the remaining unused authorization of \$789 thousand, the additional \$1.5 million requested will be used to support the supplemental appropriation required to fulfill our assessment to the ILO.

CIVILIAN PAY ACT

An increase in authorization for \$7.4 million is requested for the Civilian Pay Act, E.O. 11739 which was implemented in October, 1973. Our present Authorization Act (P.L. 93-126) provides only for the January, 1973 pay raise.

FOREIGN SERVICE BUILDINGS PROGRAM

The request for additional authorization of \$1.5 million for the Foreign Buildings Program in fiscal years 1974 and 1975 is due to the 1973 devaluation of the dollar and its immediate effect on the program. Devaluation has precipitated a sharp increase in the cost of our Operations Program, which provides the funding for operating, maintenance and furnishings costs of office and residential properties, as well as minor improvements and long-term rental costs. The Congress has already authorized and appropriated funds for fiscal year 1974 to cover similar increased costs for other Department appropriations.

The requested amendment to the Foreign Service Buildings Act includes \$1,396,000 in each of these two fiscal years for the Operations Account. This sum covers both Foreign Buildings appropriations—the Regular Dollar Program and the P.L. 480 Excess Currency Program.

We do not require an increase in the amount currently authorized for the two-year period for the Capital Program. Instead we are seeking an adjustment between the two years to provide an increase of \$154,000 in fiscal year 1974 and a corresponding decrease in fiscal year 1975. This transfer is needed to cover minor cost increases in several capital projects in the P.L. 480 Program, as a result of the devaluation of the dollar.

Mr. Chairman, I thank you and the Committee members for your time. If you have further questions on these matters, I will be pleased to answer them.

Senator SPARKMAN. Thank you, Mr. Sisco.

SUBMITTED STATEMENT

When you make reference to your submitting a statement for the Department's fiscal year 1974 amendments, is this it? I am still a little unclear. We have two statements here. One of them is a summary of the Fiscal 1975 proposal. Another is a comparative statement as to 1974 and 1975. Which one of those it it?

Mr. BROWN. We are submitting an amendment to the fiscal year 1974 authorization requesting an additional \$22 million for foreign affairs, \$1.5 million for international organizations, and so on, sir.

Senator SPARKMAN. That is this single sheet?

Mr. BROWN. It is not the comparison that we are talking about.

Senator SPARKMAN. I have a two-page statement and also a one-page statement. I am trying to find out which one you are putting in the record, or if both are being submitted.

Mr. BROWN. No.

Senator SPARKMAN. I am sorry. These are prepared by our committee staff and not you. Thank you.

Thank you very much.

Mr. Sisco, I think that is a very fine statement and personally I am pleased with it and we are glad to have it as part of the record of these hearings.

I would like to ask a few questions and then ask Senator Aiken to propound questions. We have a great many questions to propound.

STATUS OF SALT, MBFR AND CSCE NEGOTIATIONS

I would like to start off with Europe.

Could you comment a little further upon the present status of the three ongoing negotiations you mentioned. One is SALT; the other is the European Security Conference; and the other is the negotiations regarding the mutual balanced force reduction.

Mr. Sisco. First, let me say a few words regarding the CSCE to the Conference on European Security.

Mr. Chairman, this is a conference which began in July of 1973 and, as you know, it brings together 33 European States plus ourselves and Canada.

Our approach basically is this: We would like to see this conference a firm principle of nonintervention and noninterference in the external affairs of States whatever their social or political systems. We would like to see this conference stress the promotion of freer human contact and the exchange of ideas and information beyond the traditional culture exchange patterns, and at the same time we would like to see or we would like to avoid by doing this any kind of action which would imply a formal recognition of the territorial status quo in Eastern Europe.

We would like to see it stress a broadening of East-West cooperation in increased trade, in exchange on science and technology and in efforts to improve the environment.

I think this conference has to be looked at in the broader picture of East-West relationships. In other words, a definition of these relationships, a clarification of these relationships.

Where we are in this: There have been ideas and proposals that have been exchanged. The principal focus at the moment relates to certain language dealing with the whole question of human contacts, freer human contacts.

I would say that progress has been reasonably good. We would like to see this thing concluded over the next couple of months, if possible.

Now on SALT, I would say this: The talks reopened in Geneva on the 19th of February. Although I am no technician, I think I would say this: The objective here is to get an agreement with the Soviet Union which provides essential equivalence in the central systems.

The talks, as you are aware, Mr. Chairman, deal with extremely important matters of great complexity and nonetheless the President and Mr. Brezhnev have said that a serious effort will be made to reach a SALT II Agreement in 1974, and we remain committed to that goal.

I would say that in this renewal of discussions that started on the 19th, that we are getting into the specific details.

As you know, in SALT I, we dealt with defensive missiles and you are getting now at the stage of where in dealing with offensive missiles you are dealing both with numbers and with quality, and so if the objective is essential equivalence, the difficulty and complexity of this,

since it deals with both numbers and quality, I think it is pretty self-evident.

I can't predict whether we are going to be able to achieve an agreement in 1974 but, as I say, we are going to make every effort since we remain committed to that goal.

STATUS OF MBFR TALKS

Now as to mutual balanced force reductions. These talks opened last October, I recall, in Vienna, and I think the progress has been fairly good. Both sides presented some proposals in November and our judgment is that thus far these talks have been conducted in a very business-like atmosphere.

I would describe the situation roughly like this: You do have basically a Western proposal which seeks to redress the existing substantial Warsaw Pact advantage in ground force manpower.

As you know, I think the figure on the Warsaw Pact side is something like 900,000, if I recall. On the Western side, somewhere around 750,000.

Our proposal envisages a two-phase negotiation ultimately leading to a common ceiling on ground force manpower for both sides.

On the other hand, the Eastern proposal envisages a three-stage reduction program in which all direct participants would reduce all types of its forces by equal percentages totalling ultimately to about 17 percent reductions.

It is clear from these two proposals that they do diverge substantially but they do at the same time contain some common element and this is again a very complicated issue. It obviously deals with vital security interests of both sides, and I think I can sum it up in this way: That we realize this is a difficult task and that quick results are not particularly likely but we remain cautiously optimistic regarding the ultimate outcome of the negotiations themselves.

Senator SPARKMAN. On the mutual balanced force reduction, you gave two different proposals. The second was based on percentage reduction. I believe you said 17 percent.

Mr. SISCO. Yes, sir.

Senator SPARKMAN. What would that amount to in figures? The first I believe you said was 900,000 for the Warsaw Pact and 700,000?

Mr. SISCO. 750 roughly.

Senator SPARKMAN. 750. To what would this 17 percent reduction amount?

Mr. SISCO. We can compute that and submit it for the record. I don't think we have a figure on it.

[The information referred to is classified and in the committee files.]

Senator SPARKMAN. Another thing. Why the greater number for the Warsaw Pact Nations than for the Western European Nations?

Mr. SISCO. Well, the disparity has been there based on the distribution of forces within the Eastern European countries themselves. In other words, what they have now is roughly around 900,000.

Our force level, that is, the NATO force level is roughly 150,000 less, and this is one of the things that makes the situation so difficult in this negotiation because you are talking here about a security situation that

relates to conventional forces and I think that the Soviets quite candidly would not give up this advantage, if I can put it that way, the advantage not only of numbers but the advantage of the fact they are very close to Western Europe whereas if anything occurred and we were involved based on our NATO commitment we would have to move all the way back here from the Western Hemisphere.

I think you will find one of the difficulties in this negotiation is a reluctance on the part of the Soviet to give up this numerical advantage.

ENCOURAGING DEVELOPMENT OF WESTERN EUROPE UNITY

Senator SPARKMAN. I was glad to see your statement that we encourage the development of Western European unity but not at the expense of Atlantic unity.

I think that we certainly need to work with that in mind.

I want to ask you about one more area. I would like to ask you about all of these areas and hope before we finish we can do that, but I will ask one more and then turn it over to Senator Aiken.

RELATIONSHIPS WITH LATIN AMERICA

I don't recall that you mentioned Latin America.

Mr. Sisco. It is in my statement that I submitted for the record, Mr. Chairman. I skipped that part as I was reading it but let me say a word about that.

We are very pleased with the results of the recent meeting in Mexico City. We feel that the principal result of that meeting has been to create a positive atmosphere in our relationships with our Latin American friends.

It does begin, we believe, the initiation of a new dialog, a new dialog which will be carried forward in a subsequent meeting about a month from now. So that we think that this is an indication, a continuing indication, a fresh manifestation of American interest in Latin America.

You know historically as one looks at Latin America, I think our Latin American friends have felt over the years that simply because we have been friends and we are so close that we tend to take them for granted. And, I think, of course, this would be a very serious mistake.

I have talked to Secretary Kissinger on this regarding this recent trip and he is very, very pleased with the results and we are going to follow up here in this next month.

Senator SPARKMAN. I am glad to hear that because we have heard frequently that we tend to neglect Latin America, South America, particularly, and I think it would be a very bad mistake for us not to keep in mind at all times the importance of good relations between the United States and our southern neighbors, and I am glad we are going to have that followup meeting.

MEETING IN MEXICO CITY

Did you attend the meeting in Mexico City?

Mr. Sisco. No.

Senator SPARKMAN. I understand it was a very worthwhile meeting.

Mr. Sisco. Well, the Foreign Ministers were, I gather, much impressed with the grasp of the Latin American problems which our Secretary of State has. Anybody who has worked with Henry Kissinger learns one thing: you can be the action officer on the Middle East or Latin America, or whatever it is, but you can be sure that by the time he gets fully involved in this kind of conference, he will know more about that particular area than you do, the so-called expert, and I think the Latin American meeting, Senator Sparkman, illustrates that right to the point.

I am full of admiration for our Secretary of State in terms of the kind of preparation that he involved himself in and I think this was reflected not only in the meeting itself but I think that each one of the Foreign Ministers felt here was a man that had a very genuine interest, and I am told by those there he was greeted with cheers, and this I might say is a new experience in Latin America for many of us in present times.

IDA'S INTEREST TO LATIN AMERICA

Senator SPARKMAN. You mentioned IDA. Is that of great interest to Latin America?

Mr. Sisco. Very much so. At this meeting in Latin America the Secretary of State indicated that we would pursue this matter further with the Congress in hopes that everything will be done so that the IDA replenishment, IDA IV, will in fact be achieved. This is very important to Latin America.

It is important to a number of other parts of the world. And I think that it has been a constant in the situation and we have indicated that we want to participate.

As you know, the IDA would run out of its committable funds after July 1 and our donation is necessary to reach the 80 percent participation level which determines whether IDA IV will go into effect or not, and the fact of the matter is if we indicate and are in a position to indicate what we are going to do, obviously others will go ahead and make their commitment, but if we should falter then I think you would find that others would equally falter and, therefore, it would be a very serious situation indeed.

Senator SPARKMAN. I agree with you in the importance of IDA and I do hope that we can do our share in supporting it.

Mr. Sisco. Thank you for your support.

Senator SPARKMAN. Let me ask Senator Aiken.

Excuse me for just a few minutes.

Senator AIKEN. I found your statement generally very good. I am looking over some of your requests for additional funds.

FACILITATION OF EXPANSION OF U.S. EXPORTS TO SAUDI ARABIA

I notice \$1.2 million to establish a permanent ambassadorial representation in Oran and to facilitate the expansion of U.S. exports to Saudi Arabia.

Do you expect that increased exports to Saudi Arabia would be matched by increased imports from Saudi Arabia?

Mr. Sisco. Basically, our approach, Senator, to Saudi Arabia at the present time is to try to work something out with them in provid-

ing American technical help, American advice, in what they are very, very interested in, namely, the industrialization of their country.

We do have a military assistance relationship with Saudi Arabia. The question of oil is self-evident. And they have had good experience over the years with American technology.

As we look ahead to the future our hope is that we can deepen our relationship not only in the military assistance category but likewise in economic and financial matters.

They are interested, for example, in science and technology, this kind of thing. We returned from Saudi Arabia, just a week ago and it was clear to me from these discussions that this is a matter of continuing interest. I think that we have got an opportunity here to develop in these areas.

It will not only afford business opportunities for our business people, export and that sort of thing, but I think they are as much interested in the actual technology and our advice and I think we can move on both fronts in this regard.

Senator AIKEN. You think then they might be able to pay cash for any exports that we send them rather than balance them off with increased imports from that country?

Mr. SISCO. Well—

Senator AIKEN. We don't have a balance of trade with them now, do we?

Mr. SISCO. No. I think on the whole they will be in position to pay for many of these things with cash.

Senator AIKEN. I hope so.

WEST GERMAN OPINION OF PROPOSED U.S. EMBASSY IN EAST BERLIN

I notice you asked for \$1.4 million to open an Embassy in East Berlin, probably very soon.

What does West Germany think of that proposal?

Mr. SISCO. The West Germans have no difficulty with it, Senator.

As you know, from what has occurred over the past weeks and months, closer contacts and relationships have developed between both East and West. The opening of this Embassy I should make clear does not constitute formal diplomatic relationships on our part. The East Germans now have been recognized by about 100 countries. Really, if I want to be very literal and technical, it is really a new post rather than an Embassy. We do not intend in the foreseeable future for there to be a resumption of formal diplomatic relationships.

[The following information was subsequently supplied:]

CLARIFICATION CONCERNING U.S. EMBASSY FACILITIES IN EAST BERLIN

[Supplied by the Department of State]

We have asked the East Germans to provide us with suitable Embassy facilities in East Berlin but they have not yet met our minimum requirements in this area. When they have done so, we are prepared to have formal negotiations in Washington, looking toward the formal establishment of diplomatic relations with East Germany. Those negotiations will be concerned with the functions of the respective Embassies, consular relations and the handling of claims problems. The establishment of relations with the GDR is a matter of protecting our own interests and the interests of our citizens by affording Ameri-

tourists consular services and assisting American businessmen who wish to buy from or sell to East German enterprises. Three additional points may be useful, namely:

—In international law, the establishment of diplomatic relations does not imply approval of another government's internal or foreign policies.

—The GDR became a member of the United Nations in September 1973.

—The GDR now maintains diplomatic relations with more than 100 states, approximately 70 of which have recognized the GDR since December 1972.

ANTICIPATED RECOGNITION OF MONGOLIAN PEOPLE'S REPUBLIC

Senator AIKEN. \$600,000 for a new mission in Ulan Bator, the Capital of Mongolia, in anticipation of U.S. recognition of the Mongolian People's Republic. I think that was considered a few years ago.

How do the Mongolians' neighbors regard this? Do they feel better about it than they used to? Does Mongolia herself feel better about it?

Mr. SISCO. I want to be very sure. We have been in negotiations with the Mongolians on this matter for some time.

As you know, Senator, those negotiations have not been concluded. Our hope is that they will be, but I can't really point to anything specifically.

Candidly, Senator, for internal administrative reasons we are shooting for roughly May for concluding the negotiations. Whether we will achieve agreement by that time or not I don't know.

Senator AIKEN. That is for Mongolia?

Mr. SISCO. Yes, sir.

Senator AIKEN. I was wondering if Russia and China are reconciled to the idea.

Mr. SISCO. The Soviets have not interposed any objection to it.

RELATIONS WITH CUBA

Senator AIKEN. In that respect, how are things going with Cuba?

Mr. SISCO. Well, on Cuba I think that I can't really report any new development or for that matter any new development in our policy. I know that it has often been said that we have moved toward better relationships with the Soviet Union and we have moved toward a new dialog with Communist China, why not Cuba?

My answer to it really is the one which the Secretary of State made in a press conference here just a couple months ago. He said at that time that "The major obstacle to rapprochement with Cuba has been the hostility of the Cuban Government"—here I am quoting from his statement,—“and its commitment to revolutionary policy throughout the Western Hemisphere.” And I can't add to that, Senator Aiken. That is what the policy is and that is where it stands and I have nothing new to report.

Senator AIKEN. Cuba gets along very well with her neighbors through all of South America and Canada and Mexico?

Mr. SISCO. Yes and no.

For example, it is interesting, in referring a moment ago in the discussion with Senator Sparkman, at the Mexico City meeting, I think if you were to run down and go country by country in Latin America that you would find a Latin America that is divided on this particular issue. Some would favor closer relationships, others are very, very wary of this.

Senator AIKEN. I understand that, but I was also referring to Canada and Mexico.

Mr. SISCO. Yes, sir, that is correct.

RENEWAL OF FULL DIPLOMATIC RELATIONS WITH SWEDEN

Senator AIKEN. The last question I have: Why are we so reluctant to renew full diplomatic relations with Sweden?

Mr. SISCO. I would answer that question by an expression of hope: I would hope that this matter which is under active consideration will move in that direction at a reasonably early date.

Senator AIKEN. I would hope so. Several of my close neighbors in Vermont have recently been over there to ski meets. So far there haven't been any complaints from them of the treatment they received, but we will wait and see.

A few years ago I cosponsored a resolution with Senator Cranston, I believe, to the effect that just because we didn't like their faces we shouldn't refuse to do business with them and have relationships with them.

Mongolia was the country we had in mind at the time. Apparently that has worked in some other countries, but not in Mongolia so far. That is all.

CUBAN SITUATION

Senator SPARKMAN. I want to ask a followup question on the Cuban situation.

Is our policy still geared to the implementation of the 1934, I believe, OAS sanctions against Cuba?

Mr. SISCO. Yes, sir.

Senator SPARKMAN. How many Latin American countries have digressed from that statement, and opened up diplomatic relations again with Cuba?

Mr. SISCO. Seven have digressed from that particular resolution.

Senator SPARKMAN. Senator Aiken brings out that some of them never did operate under it. Are these seven additional?

Mr. SISCO. These are seven that have diplomatic relationships with Cuba.

Senator SPARKMAN. Seven in all?

Mr. SISCO. Yes, sir.

Senator AIKEN. Out of twenty?

Mr. SISCO. Out of twenty-three.

Senator SPARKMAN. Will the Cuban issue be of major importance in the OAS Foreign Ministers Conference? That is scheduled for next month, isn't it?

Mr. SISCO. Yes, sir.

Senator SPARKMAN. In Atlanta?

Mr. SISCO. I doubt it very much. It did not arise in the previous round in Mexico City and I would doubt that it would be a matter of major preoccupation at the next round. I think that the conference coming up next month will be a followup on the specific agenda that was laid out in the previous meeting. I think there is a preoccupation obviously with a number of the specific problems of the overall relationships between the Latin American countries and ourselves.

Now I don't say that this Cuban problem is not in the background but it did not come up in any specific sense.

U.S. DENIAL OF VISA TO GUTIERREZ ALEA

Senator SPARKMAN. Let me ask this question. This relates to something that was in the press, as I recall, not too long ago.

The State Department denied a visa to a Cuban film maker, Gutierrez Alea, who had been invited to the United States to receive an award from the National Society of Film Critics for his widely acclaimed and nonideological movie entitled "Memories of Underdevelopment."

Can you give us the explanation of that?

Mr. SISCO. I am completely unfamiliar with that, Senator. I will just have to beg out and put it in the record.

[The information referred to follows:]

DENIAL OF VISA TO GUTIERREZ ALEA

[Supplied by Department of State]

The Department received, about January 16 via the Swiss Embassy in Havana, an inquiry whether visas would be issued to Mr. Gutierrez Alea and Mr. Saul Yelin, an official of the Cuban Academy of Arts and Industry, to come to the United States so that Mr. Gutierrez could accept the award made by the National Society of Film Critics. In response the Department took the position that it would not be prepared to issue visas to Mr. Gutierrez or Mr. Yelin should they apply at one of our Embassies or Consulates.

In the light of information available to the Department regarding Mr. Gutierrez and Mr. Yelin, we believed that, should they apply at one of our Embassies or Consulates for a visa, they would be found ineligible under Section 212(a)(28) of the Immigration and Nationality Act. In addition, and in keeping with long-standing policy with respect to Cuba, we would not be prepared to recommend to the Attorney General a waiver of ineligibility so that visas could be issued to Mr. Gutierrez and Mr. Yelin.

Visas are issued to Cuban officials coming to the United Nations, in keeping with obligations of the U.S. under agreements with the United Nations. From time to time visas are issued in humanitarian and other cases of Cubans seeking to come to the United States. Normally, however, our policy remains one of discouraging travel between the United States and Cuba consistent with our general policy of isolating Cuba as well as our support for resolutions of the Organization of American States providing for Cuba's diplomatic and economic isolation. Our position in the cases of Mr. Gutierrez and Mr. Yelin, like our restrictions on the use of U.S. passports for travel to Cuba, are reflections of this policy.

Senator SPARKMAN. I would appreciate it. I am not sufficiently informed on it to be critical, but it does seem to me a pity that we cannot work out a more satisfactory relationship with Cuba, which after all lies just 90 miles away from us.

That is just a comment and doesn't call for a reply.

Mr. SISCO. That was my judgment.

[Laughter.]

Mr. SISCO. I was being very prudent.

STATUS OF PANAMA CANAL NEGOTIATIONS

Senator SPARKMAN. With reference to the Panama Canal, what is the status of those negotiations now? Some time ago, I believe, an

interim agreement or preliminary agreement was made as to guidelines. Is that right?

Mr. SISCO. Yes, sir.

Senator SPARKMAN. Has it gone beyond that stage? Are terms being written now?

Mr. SISCO. The interim agreement was signed. Secretary Kissinger and Ambassador Bunker went down a few weeks ago and this was an interim agreement that encompassed certain basic principles. Now negotiations are going to be pursued largely to put the meat on the bones. In other words, the details of these basic principles have to be spelled out and this is what will be pursued over the coming weeks, Senator.

Senator SPARKMAN. That will be submitted as a treaty. Is that right?

Mr. SISCO. That is my understanding.

U.S.-PERUVIAN EXPROPRIATION SETTLEMENT

Senator SPARKMAN. Could you briefly describe the terms of the U.S.-Peruvian settlement involving a number of U.S. companies that some time ago were expropriated without compensation by the Peruvian Government.

Mr. SISCO. I have some information on that, Mr. Chairman. If it shouldn't be sufficient, I can add for the record.

My understanding is that the Intergovernmental Agreement signed at Lima, signed in February 1974, is a way for Peru and the United States to settle the international petroleum company expropriation. There is a difference of view between the company and the Government as to the amount of the claim. We expect that a number of claims will be asserted against a lump sum payment.

Exxon, for example, stated it believes it has a valid claim against the Government for the amount which was \$76 million paid to the U.S. Government under this agreement by the Government of Peru and what it amounts to is the Secretary of State will have to determine which of the claims are valid under the agreement and direct what kind of a distribution of a lump-sum will be made.

I expect this process will take some time and we haven't made obviously any kind of a comment on the conflicting claims and largely because of the fact that if we do why this could affect, for example, any company.

So it is a question of sorting out a difference of claims here and this is something which at some point the Secretary is going to have to make a determination.

CHILEAN EXPROPRIATION OF U.S. COMPANIES

Senator SPARKMAN. What about Chile? Chile expropriated some United States companies, too. Did it not?

Mr. SISCO. That is correct; and we have taken the view as we normally do in this kind of situation that compensation should be paid and we are concerned about this and insofar as it being resolved, it is still in the unresolved category.

HANDLING OF CHILEAN REFUGEE SITUATION

Senator SPARKMAN. There has been some dissatisfaction expressed by some people in this country with reference to the handling of the refugee situation out in Chile.

What is the status of that?

Mr. SISCO. Yes; I am aware of this, Senator, because we share the concern of a number of Members of Congress regarding this question of human rights.

Let me tell you what we have done. Our Embassy has on several occasions conveyed to the Chilean authorities our views on this and, moreover, I think that insofar as the current status is concerned, we have worked through not only these direct efforts with the Government but we have worked through the U.N. High Commissioner on refugees. We have also worked through the OAS Commission on Human Rights and what we have tried to get across is—and I might say the Red Cross as well—what we have tried to get across is our concern about this matter to insure the correct treatment of the detainees and to facilitate refugee resettlement.

We have contributed some money for resettlement and it is our understanding that a large number of the persons once detained have since been released and that the majority of the foreign refugees and asylees have been permitted to leave Chile. This is our information, our best information.

We advised, for example, U.N. High Commissioner on Refugees some time ago at the same time our willingness to consider sympathetically on a case-by-case basis applications from refugees that desire resettlement in the United States.

To sum up, we have worked through the appropriate international organization, we have talked about it with the Chilean Government directly, we have made some contribution to the international organization and on the whole the information that we have is this has contributed to the release of the majority of these people and we are willing to take some on in this country.

I think our record—by the way I appreciate the concern because this is a deep matter of human rights and from what I have been able to examine in this short period that I focused on this I think our record is good on this one.

NEW U.S. AMBASSADOR TO CHILE

Senator SPARKMAN. Who is our new Ambassador to Chile?

Mr. SISCO. David Popper is brand new. You know him from your U.N. days.

Senator SPARKMAN. Yes.

Mr. SISCO. A very, very excellent man. He used to be my deputy in the U.N. affairs and really an outstanding Foreign Service officer.

Senator SPARKMAN. I remember now. I am sorry I wasn't able to be present when he testified. I worked with him closely back in 1950 in the U.N.

Mr. SISCO. Yes, sir.

Senator SPARKMAN. I agree with you he is a wonderful person.

FUTURE OF TWO CHINAS

Let me go to another area. Senator Aiken may have already been there with you.

Senator AIKEN. No.

Senator SPARKMAN. Back to the two Chinas.

What do you see in your crystal ball several years ahead on what will happen between the two Chinas?

Mr. Sisco. Well—

Senator SPARKMAN. May I just say this. I have been curious for some time. I had the privilege of going to China back in August and spent 2 weeks over there with a small congressional group. We had a long conference with Chou-En-Lai, and got along just fine until near the end of the conference.

It seemed that he thought of something and he said he would not accept the President's invitation to visit the United States as long as we have the connection we have now with Taiwan. Then a little later he made this statement about which I have often wondered. In talking about good relations with the United States, he brought up the Taiwan question and said, "Well, we will not worry now about Taiwan," he said, "We have time; we can work that out."

I have often wondered just what he had in mind.

There has been conjecture, of course, a plan might be worked out whereby there would be two Chinas or that there might be established some kind of détente between the two. The other conjecture is that they must insist on there being union between the two.

Tell me, what does it mean?

Mr. Sisco. It is a very good question, Senator, because my briefing book is totally silent on that question and, therefore, I am on my own.

So you can see that I do have a judgment on this and I am willing to express it.

I have the impression that the People's Republic of China is quite preoccupied with its own internal concerns and its own internal development. I believe that it is going to be so preoccupied for some time to come.

Second, I think that its preoccupations are such that it is concerned with respect to relations with peoples and countries on its own borders in particular. It has embarked, as we have, on a policy of better relationships between us. I think, I would hope, that there is a keen appreciation and keen understanding of the importance that we, this country, attaches to our continuing relationship with the Republic of China.

So this is a very delicate situation, it seems to me both—

Senator SPARKMAN. That means Taiwan, doesn't it?

Mr. Sisco. Yes.

Senator SPARKMAN. Two names.

Mr. Sisco. People's Republic of China, a Communist Republic, Republic of China and Taiwan.

Senator SPARKMAN. I want to make it clear, the Republic of China is Taiwan?

Mr. Sisco. That is right. The point I am making is you are apt to see this continuing preoccupation and my judgment is that the question of evolution of relationships or what happens to its relationship

between—let me put it clearly--Communist China and Taiwan is something which is not going to be quickly resolved because both sides, among other things hold obviously very strong views and Taiwan, I think, basically sees it from the point of view of its own survival.

Communist China sees Taiwan as part of what was China proper and when you have got that kind of an issue with the two viewpoints basically 180 degrees opposite, I don't think that I am making any wild prediction by saying I think this is going to evolve very slowly indeed.

Senator SPARKMAN. I certainly agree with that. Apparently that is what Chou-En-Lai had in mind when he said they had plenty of time to look after that.

RELATIONSHIP BETWEEN JAPAN AND TAIWAN

What about the relationship between Japan and Taiwan?

Mr. Sisco. I think on the whole the relationship is good. There is important trade between the two. On the other hand, obviously there has been an evolution in Japanese policy with respect to Communist China as well.

So that in this particular instance I think one can say that a double track is being pursued and again it is a slow process.

JAPANESE IRRITATION AT TIME OF PRESIDENT'S TRIP TO CHINA

Senator SPARKMAN. Some time ago, maybe about the time that the President went to China, having been preceded by the Secretary of State, Mr. Kissinger, Japan seemed to be somewhat irritated. Has that all been smoothed out now?

Mr. Sisco. Well, I think we have gone through an evolution in our relationship with Japan. If you go back to World War II, that whole period, in the postwar period, now you have a Japan as a result of that period that is a leading industrial society in the world, certainly a country that is independent in making major contributions.

So as they have been able to stand on their own two feet more and more, I think it is only natural that the relationship with the United States would evolve.

There have been over the last year or year and a half several specific issues, particularly in the economic area, where there have been differences, but I have the impression that we have intensified our consultation process with Japan over the past months and I do detect better understanding and an easing of any of the irritations that may have been prevalent a year or year and a half ago.

TIE-IN OF UNITED STATES, WESTERN EUROPE, AND JAPAN

Senator SPARKMAN. I noticed in your presentation you made reference to the United States, Western Europe and Japan. It seemed to tie those three units together. Was that primarily economic or political or—

Mr. Sisco. Well, primarily economic in this sense although it is broader than economic.

We are discussing right now, for example, you noticed I mentioned declarations which were designed to define the relationship between the United States and Western Europe. We feel that Japan is likewise an industrial society in the same category and we are discussing at the same time, Senator, the possibility of a tripartite type declaration between the United States, the European community, and Japan.

There are many elements of commonality between ourselves, Western Europe, and Japan. Take, for example, the work that we are all trying to do together within the framework of the Washington Energy Conference. Energy is a problem that we have in common as well as the question of trade and investment.

So Japan is a key member of the Western world and the reason why we are discussing this set of declarations is that we think it would be a very good thing if we could achieve such a statement of principles between us.

JAPANESE CONTRIBUTION TO ADB AND SOUTHEAST ASIAN DEVELOPMENT

Senator SPARKMAN. Let me ask one more question while we are on Japan because Japan was the moving force in developing the Asian Development Bank [ADB] and the development of Southeast Asia generally.

How is that moving now?

Mr. SISCO. Well, I know that when I myself was connected with this, I know when the Asian Bank was established some years ago that Japan was a major element in the situation. I know that they have made some contribution to it. I don't have any kind of a figure. But we do feel as a matter of principle that Japan is an important bulwark of that institution.

MOVEMENT TOWARD BUILDING JAPANESE MILITARY STRENGTH

Senator SPARKMAN. One more question. Following World War II, I think its fair to say that we dictated the constitution that more or less demilitarized Japan. Hasn't there been a movement toward building up Japan's military strength and do we go along with that? Has that constitutional provision been lessened in its force?

Mr. SISCO. Well, in general I think we are pursuing a policy that the case of a number of countries to try to develop a situation where there is more self-reliance.

As far as Japan is concerned, they have developed a very modest and very limited self-defense force.

Senator SPARKMAN. We have encouraged that, I believe?

Mr. SISCO. Yes; we have encouraged that, Senator.

Senator SPARKMAN. Does that make Japan in your opinion a greater stabilizing influence in that part of the world?

Mr. SISCO. Well, I think it is in the sense that this is, I think, a manifestation of a new sort of self-confidence, a new evolution in themselves and in Japanese policy, but I think it is quite a limited thing. I would myself not feel that it was too great an outreach, so to speak. I think that we feel that since it is limited, since it is a small force, it is quite consistent with and contributes to stability in the area.

If one went considerably beyond that that might be another factor.
Senator SPARKMAN. Senator Aiken.

SITUATION IN LAOS

Senator AIKEN. Have family relationships been satisfactorily established in Laos?

Mr. SISCO. Well, I must say that the situation in Laos, as you know, has developed in a very positive way. The two brothers have been doing a good deal more talking to one another and on the whole I think this has contributed to a stabilizing of the situation.

U.S. TROOPS IN KOREA

Senator AIKEN. Getting over into Korea, we still have about 40,000 troops remaining there?

Mr. SISCO. 40,000 is correct.

Senator AIKEN. Do we expect to reduce that number?

Mr. SISCO. Well, we have not made any new decisions with respect to any reduction in Korea. We obviously continue to study these matters on a regular basis but there have been no new decisions taken with respect to reduction.

NEW KOREAN FOREIGN MINISTER

Senator SPARKMAN. They have a new Foreign Minister who ought to be very good.

Mr. SISCO. Yes; a former student of our Secretary of State.

Senator AIKEN. He was very popular when he was in Washington, anyway. If he does as well in Korea, that would be a help.

SITUATION IN CAMBODIA

What about Cambodia? Do you think better or worse or about the same? Has anyone found oil yet? If so, do we get any of it?

Mr. SISCO. I think insofar as Cambodia is concerned, our own feeling is that the situation pretty much remains the same. We don't foresee negotiations in the immediate future. Our judgment has been that the Cambodian Communist insurgents have not taken up the Government's—there have been several offers by the Government to negotiate and these offers have not been taken up.

On the whole, I would say based on the reports that I have seen, the Cambodian Government forces are holding their own and our hope would be that even though negotiations are not now in sight we would hope that once the insurgents become convinced that they can't prevail militarily, that perhaps this will lead to the beginning of talks.

But I don't see that on the immediate horizon.

Senator AIKEN. I never thought that either the Cambodians or the Laotians relished war very much.

U.S. TROOPS IN THAILAND

We still have a substantial number of troops though in Thailand; don't we?

Mr. SISCO. Yes, sir, in Thailand, yes, sir.

Senator AIKEN. Air bases there and so forth.

Mr. SISCO. Yes.

Senator AIKEN. I suppose that is for cases of emergency?

Mr. SISCO. These are residual forces, Senator, and there are roughly about 35,000 U.S. servicemen in Thailand, a large majority of whom are aircrews and support personnel.

CHANGED RELATIONSHIP IN THAILAND

Senator AIKEN. There has been a recent change in the relationship there?

Mr. SISCO. Yes.

Senator AIKEN. Does that effect our relationship in any way?

Mr. SISCO. No, sir.

Senator AIKEN. That is enough.

WHO ARE THE KHMER ROUGE?

Senator SPARKMAN. By the way, talking about Cambodia, did you read that article in the paper yesterday entitled, "Who Are The Khmer Rouge?"

Mr. SISCO. Yes, I did.

Senator SPARKMAN. Do you have the answer?

Mr. SISCO. I certainly don't.

Senator SPARKMAN. That seems to be about the most confusing thing that I have heard.

Mr. SISCO. I just concluded I didn't understand it. It was largely out of ignorance, knowing so little about Cambodia historically. I don't know the answer to that question.

MOVEMENT TOWARD KOREAN UNITY

Senator SPARKMAN. I want to ask you about Korea.

Not too long ago, there seemed to be a movement toward unity of the two parts of Korea. Anything on that now?

Mr. SISCO. Well, I think that there have been discussions but progress toward that is very, very slow indeed.

REASON FOR MAINTAINING U.S. FORCES IN EAST ASIA AND PACIFIC

Senator SPARKMAN. Senator Aiken asked something about the troops over there. There was an article in the New York Times about a week ago by Leslie Gelb who reported that senior officials of the State and Defense Departments expect U.S. Forces in East Asia and the Pacific to remain at their present size, roughly 185,000, over the next 3 years.

If the administration's Asian policy is as the President described it last year, to provide a nuclear shield and to expect the Asian nations to provide the manpower for their own defense, why is it necessary for the United States to maintain this large and expensive deployment of forces, most of them stationed on the ground in Korea, Thailand, the Philippines, and Japan?

Mr. SISCO. Yes, sir, I am familiar with that article, Senator.

As you know, U.S. Forces in East Asia and the Western Pacific have been reduced from over 725,000 in January of 1969 to about 190,000 today. Our remaining deployments and our use of bases in several of the countries that you mentioned are obviously there to back up our formal security relationships and we believe are contributing to a stability in the area.

An interesting thing I find about attitudes in Asia, as a whole, that regardless of what may or may not be said publicly, I think that very few countries in the area would like to see a complete exodus of the United States in the aftermath of the Vietnam war and I think it is an element of stability.

I think the record in this one again is very good, that is, very substantial reduction and obviously we will keep these under continuous review.

Senator SPARKMAN. I must say I have very much the same feeling in these particular areas. I know there is rather widespread feeling in this country that we ought to reduce our forces overseas, but I have felt very strongly that our force in Korea, for instance, was a vital necessity. And we have very fine relations with Thailand, do we not?

Mr. SISCO. Yes, sir.

PHILIPPINE PROBLEM

Senator SPARKMAN. Has there been any question on the Philippines? I wonder if you could tell us in very few words what it looks like over there. Sometimes, it seems to me, it is rather puzzling.

Mr. SISCO. Well, let me say this: That our feeling is that in the last analysis the Philippine problem can only be dealt with by the Filipinos themselves and I think this is an important feeling, assumption on our part.

We have felt that the interest of both countries would be best served if the relations remain on even keel. For that reason we have continued to support, give support to the Philippines.

Senator SPARKMAN. Do we have military men that are giving support?

Mr. SISCO. Yes.

Senator SPARKMAN. How many?

Mr. SISCO. We have 17,000 military personnel. There are two major bases in the Philippines and roughly about 17,000; Subic Bay—I remember having been in the Philippines, the naval base there—is the principal one, and then you have got the Clark Airbase itself. Roughly about 17,000, Senator.

Senator SPARKMAN. I will ask to be relieved, Senator Pell.

Senator PELL. I have quite a few specific questions and since I will stay until the end in this case, I will accede to you, Senator Percy.

Senator PERCY. Thank you very much. I thought by now I would be saying good morning, Mr. President, to the president of Hamilton College, but I am very pleased, although I have a high regard for Hamilton College, to be able to say good morning Mr. Secretary, instead.

ARE U.S. MILITARY PERSONNEL ADVISING IN PHILIPPINES?

I would like to follow up on Senator Sparkman's comments on the Philippines.

The question was asked—I wasn't quite sure I heard the whole question—about the number of people we had out there. Do we have American military personnel actually advising the Philippine Government on its problems with the Moslems and other insurgents?

Mr. Sisco. I am told not, Senator.

Senator PERCY. I thought that was the situation, but I felt that your response might have been misunderstood to mean we had 17,000 personnel in an advisory role when actually they are there for our own defense interests in the area.

FIGHTING BETWEEN PHILIPPINE ARMY AND MOSLEMS AND INSURGENTS

Could you update us on the problems involved in the fighting that continues between the Philippine Army and the Moslems and other insurgents? We are still the only supplier of arms and munitions to the Philippine Army; is that correct?

Mr. Sisco. That is correct.

As far as the violence between the Moslems and the government, obviously you know this has a long history and, therefore, a very, very difficult situation.

These conflicts have inflamed from time to time. Some at a low level of violence, at other times a higher level of violence. What I can say to you is that our reports indicate the obvious, namely, that these clashes have continued over the past year and that there has been Moslem resistance to the Philippine Government program to collect unregistered firearms as a way to try to cool this situation off.

I don't see the situation changing or having changed in any decisive or appreciable way and I think it is an inconclusive situation is the way I would describe it, and I would add one other thing.

It is a very unhappy situation. I want to make clear that we are not involved.

U.S. SPECIAL FORCE TEAMS' EXERCISES IN PHILIPPINES

Senator PERCY. Thank you, I am glad of that. I am sure that the Philippines has not asked us to get involved in an internal affair, but I wonder if you can comment as to how it serves the U.S. interest for U.S. Special Forces teams to continue their joint civic action exercises in the light of this internal problem in the Philippines.

Mr. Sisco. Well, I am not really sufficiently familiar with how they are operating, Senator, to really give you a serious judgment on that. Let me look into it and put it in the record. I don't want to guess.

[The information referred to follows:]

ACTIVITIES OF U.S. SPECIAL FORCES TEAMS IN PHILIPPINES

[Supplied by Department of State]

Since October 1970, at the request of the Government of the Philippines, small Security Assistance Forces (SAF) Asia teams, most of whom are from the 539th Engineer Detachment at SAFASIA headquarters in Okinawa, have been coming to the Philippines. They have worked with the Philippine military and civilian officials, with the emphasis of their activities on public works, health and sanitation, and training in such fields as transportation, communications and maintenance of engineering equipment. Medical and dental services are provided to civilians. Veterinarian services are performed; and bridges, roads and schools are repaired. The SAFASIA Disaster Relief Teams (DARTS) provided superb

assistance during the disastrous flooding of central Luzon in the late summer of 1972.

The activities of these teams have had comparatively little military content; in fact about 90% of their personnel have not been special forces but have been Army engineer, medical, veterinary and other specialists. As a matter of policy the teams have avoided high insurgency areas. Our records show that the SAFASIA team in Zamboanga departed from there in October 1972 before the recent insurgent activities in the southern Philippines had emerged in any significant way. In early 1971 a SAFASIA team of 12 men gave Philippine military personnel a series of two-day courses on care and maintenance and procedures for the M-16 rifle, which had been newly acquired at that time by the Philippine armed forces. No other SAFASIA training in the use or care of M-16 rifles has been conducted since that time.

In addition to the general remarks provided above regarding the effects of these teams, the following listing of major activities which were concluded during 1973 and are scheduled for 1974 is provided for your information:

January 1973-June 1974: There is a 13-man Engineering Detachment surveying central Luzon, the scene of severe flooding in 1972. These personnel arrived in January 1973 and were scheduled to depart in June of that year. They have been extended until June of 1974 at the request of the Philippine Government. The United States Agency for International Development is paying per diem costs incidental to this activity which is a continuation of a disaster relief program. Their activities are in support of USAID.

April-May 1973: A Civic Action Task Force, composed of 26 personnel, worked in a combined Civic Action project with Philippine military personnel in Panay Province for 45 days. Civic Action training encompasses medical, dental, veterinary, and engineering projects.

July-September 1972: An eight-man team taught military communications to elements of the Armed Forces of the Philippines at Cebu, Republic of the Philippines.

September-December 1973: A 15-man engineer supply and maintenance training team gave instruction on engineering equipment maintenance and supply to elements of the Armed Forces of the Philippines on Luzon.

September-December 1973: One week courses were provided weekly to six-man teams at the Jungle Survival School at Clark Air Base. In addition until December 3, 1973 month long courses were provided in underwater operations monthly to 21-man teams. These courses are utilized to train U.S. personnel.

October-December 1973: A Civic Action Task Force composed of 42 personnel worked in a combined Civic Action project with Philippine military personnel in Bohol Province for 45 days.

February-March 1974: A Civic Action Task Force composed of 46 men worked in a combined Civic Action project with Philippine military personnel in northern Samar Province for 45 days.

One officer from the 1st Civil Affairs Battalion is stationed in Manila on a permanent basis to act as a liaison officer between SAFASIA and the Joint U.S. Military Advisory Group, Philippines.

These activities have been justified by the Philippine Government's desire for the services, by the useful and generally non-military nature of the projects performed, and by the practical training which U.S. military technicians and specialists have derived from these activities.

Mr. SISCO. I have been in this job for 2 weeks. I don't want to start shooting from the hip on a situation like this and I do know that having read a few reports on what they do, they are for civilian projects. They are for roads, that kind of thing, which the Philippine Government really needs, and to that degree obviously it does contribute to internal stability and I don't think by doing this kind of thing that we are getting involved in what is obviously a delicate or delicate internal situation, and the thing that is significant to me in the report that I read on this the other day, which I looked for, are these people in any way involved in the insurgency operation itself? And they are not, and that is to me the most important thing.

Senator PERCY. As I understood the explanation from the executive branch before, this was to improve the image of the Philippine armed

forces in the countryside. I hope you will supplement the information for the record, including your evaluation of the wisdom of our continuing such exercises, taking into account our own national interest.

ARE U.S. MILITARY PERSONNEL INVOLVED IN CONTROLLING PHILIPPINE
INSURGENCY?

As I understand it, there are no U.S. military personnel assisting the Philippine Government in its attempts to control the insurgency.

Mr. Sisco. That is correct.

Senator PERCY. Does this include people engaged in training and advisory roles?

Mr. Sisco. Yes, sir.

Senator PERCY. If it does, is there any involvement of U.S. military personnel that you feel this committee should be apprised of?

Mr. Sisco. Not that I am aware of, Senator, but I will look into it even further. I am not aware of it and I want to be sure I am on solid ground in responding.

Senator PERCY. Thank you very much.

IMPACT OF INTERNAL FERMENT IN PEOPLE'S REPUBLIC OF CHINA

With respect to the People's Republic of China, has the current internal ferment hampered the normalization of United States-Chinese relationships and, if so, in what way?

Mr. Sisco. We don't have the impression, Senator, that it has had any impact on our relationships. Obviously I am not going to comment on what is going on internally. I think, one, I am not a China expert and, secondly, I think it inappropriate in any event. But there is no evidence that I have seen that this has had any impact on what has been and is continuing to be improved relationships and improved dialog between the two of us.

Senator PERCY. The Shanghai communique provided for cultural, scientific, and educational exchanges. Is the pace of the exchanges behind schedule, on schedule or ahead of schedule?

Mr. Sisco. Well, I am told it is roughly on schedule and that it hasn't had any appreciable effect on that.

Senator PERCY. Could you provide for the record the number of scientific, educational and cultural exchanges that are scheduled to take place in the next few months?

It was my understanding there has been a drastic cutback and I would be somewhat concerned if we were off schedule.

Mr. Sisco. Well, let me put it in the record, but again I am told by my principal adviser on this, and I am not personally familiar with it, that there has not been a cutback, but we will provide it for the record.

[The information referred to follows:]

CULTURAL, SCIENTIFIC AND EDUCATIONAL EXCHANGES WITH THE PEOPLE'S
REPUBLIC OF CHINA

[Supplied by Department of State]

Our exchanges with the People's Republic of China are going along two tracks. There are the government-facilitated exchanges, ten each way this year, which were agreed upon during the Secretary of State's visit to Peking last November. There are also privately-arranged exchanges with the PRC, not discussed

between the two governments. Under this kind of arrangement, for example, a group of Chinese hand surgeons visited the U.S. in January and delegations from Penn State and the University of California at Santa Cruz recently have returned from China.

The following exchanges of delegations are planned to take place over the next few months (our information on privately-arranged exchanges may not be complete) :

In April

Seismologists (PRC to US)¹.

American Institute of Architects (United States to People's Republic of China).

American Meteorological Society (United States to People's Republic of China).

In May

Acupuncture Anesthesiology Study Group (United States to People's Republic of China)¹.

Wayne State Delegation.

Public Health group.

In June

Herbal Pharmacology Study Group (United States to People's Republic of China)¹.

Laser Technicians (People's Republic of China to United States)¹.

University of San Francisco delegation.

Other Government-Facilitated Exchanges Planned for 1974 (dates not yet fixed).

Seismologists (United States to People's Republic of China).

Photosynthesis Study Group (People's Republic of China to United States).

Medical Group (People's Republic of China to United States).

Agricultural Group (People's Republic of China to United States).

Linguists (United States to People's Republic of China).

Plant Study Group (United States to People's Republic of China).

Last November we also agreed to a set of more visible exchanges—in sports, the performing arts, and delegation of prominent local leaders of both countries. To date, however, we have not worked out the detailed arrangements for these exchanges.

The PRC has agreed to send the Chinese Archeological Exhibition—the premier event in our exchange schedule—to the United States early next year, and detailed discussions are underway.

POSSIBILITY OF NEUTRALIZING INDIAN OCEAN

Senator PERCY. With respect to South Asia and the much discussed Indian Ocean has the Department of State explored with the Soviet Union the possibility of neutralization of the Indian Ocean?

Mr. Sisco. We have, back in 1971, when the Soviets informally broached the question of arms limitation in the Indian Ocean area. We indicated interest in hearing what the Soviets had in mind, but they failed to follow up at that time. We have not explored neutralization as such. I think that in terms of the whole Indian Ocean, our feeling is that the kind of interest that we have here is largely one that needs to assure a freedom of communication, a freedom of access, freedom of the seas.

That is primarily the interest of the United States in this given situation and I don't see any evidence current or in at least the last year or year and a half of any real interest on the part of the Soviets in trying to work out some kind of an arms limitation.

I think this area, of course, is becoming increasingly important as you look ahead. If, in fact, over the next year, Senator, we do get an

¹ Government-facilitated exchange.

opening of the Suez Canal, there isn't any doubt that there will be, it will be less difficult for the Soviet fleet to move from the Mediterranean through the Suez Canal into the Indian Ocean.

We have a situation in the Indian Ocean where the number of visits and the number of days that the Soviet fleet puts in is I think something like four times as many as we have over the past several years.

The Soviets do use facilities in Aden, Socotra, and Somalia and so that their presence is a substantial presence in the Indian Ocean. Whether that is the primary motivating force for any lack of interest on their part in arms limitations, I think that would be pretty speculative.

Senator PERCY. Would it be in our mutual interest to work toward an understanding with them on some limitation on military involvement there?

Mr. Sisco. I think as a long-run objective, yes, Senator.

IMPLEMENTATION OF SIMLA AGREEMENT

Senator PERCY. With respect to Bangladesh, Pakistan, and India, you may recall that I was in South Asia at the time of the peace agreement, for which all three governments certainly deserved commendation.

In your judgment, have the letter and spirit of those agreements been reasonably well implemented?

Mr. Sisco. It is an outstanding example of what people themselves can do if they make up their minds to negotiate a very difficult problem in the aftermath of a war without the interference of anybody else. I think the Simla agreement and so-called Simla spirit reflect positive moves on all three, and since then we have had one further move at the Lahore Conference just several weeks ago.

Pakistan took an initiative indicating that it intends to recognize Bangladesh and I think this is a positive step because in my judgment it will have an impact on another critical problem that Pakistan has been worried about, namely, the possible trials of 195 Pakistanis that are being held by the Bangladesh and India.

So I think myself, Senator, I would never have guessed that in the aftermath of that bitter war this much progress would be made between and among these three countries. I think it is a rather remarkable achievement.

Senator PERCY. The brightest aspect of it was the leadership taken by the Prime Ministers of all three countries. It was not necessary for some superpower to intervene to bring them together. They recognized the necessity of doing this themselves.

ECONOMIC COOPERATION BETWEEN BANGLADESH AND PAKISTAN

Does it appear to you that mutually beneficial economic cooperation can now move forward between Bangladesh and Pakistan which have natural economic ties?

Mr. Sisco. I have no doubt that that is the way the thing is going to move in the long run. I can't point, however, to anything that is occurring or is expected to occur by way of serious economic cooperation between Bangladesh and Pakistan in the immediate future. I think we

are a little bit away from anything meaningful in this regard, but I am sure all of these steps that you and I have discussed as laying the basis for this natural relationship that you have described.

IMPLICATIONS OF ISRAELI INTERNAL POLITICAL DEVELOPMENTS

Senator PERCY. Could you give us the implications for Israeli foreign policy of the latest internal political developments in Israel? We have all watched those events with deep concern and we can now commend both Prime Minister Golda Meir and Mr. Dayan for the reconciliation that has made possible the formation of a government.

Mr. SISCO. Well, Israel has gone through a very difficult period since the end of the October war. It has been an anguish, a shock, and it was costly.

I have been to Israel four times in the last 4 months. I certainly detect a sobriety and a questioning in terms of where do we go in the aftermath of this October war. Obviously we were concerned and I say this without any intention of really making any specific comments on the internal affairs of any country. We were obviously concerned that the government be put together as promptly as possible and in such a way so that Israel will be in a position to carry out further negotiations looking towards a disengagement agreement with Syria.

We think both sides took a constructive and positive attitude in it which resulted in achievement of separation of forces between Israel and Egypt and we think this is one important first step toward overall settlement.

Now we move on and we are focusing on the question of Syrian-Israeli disengagement.

The formation of the coalition in Israel I think puts that government in a position where the difficult decisions that lie ahead can be taken and I noted that Prime Minister Meir in her statement yesterday reconfirmed the intention of the Israeli Government to send a high level representative to Washington within the next 2 weeks to carry out these negotiations.

We also have an understanding with President Assad, based on the recent trip we took to the area, that after we have had these talks with the Israeli high level representative, that the Syrian Government will send a high level representative here to Washington to pursue those negotiations, and this is what I would hope is in the offing over the next several weeks.

Senator PERCY. I understand the Israeli representative may be here around March 21. Is that your impression?

Mr. SISCO. We don't have a specific date as yet, Senator. The Prime Minister said last night within 2 weeks.

Senator PERCY. I certainly hope, too, that the Syrians would see fit to send a representative here on or about the same date. We all hope that the problems will be resolved soon. We also appreciate the magnificent work Secretary Kissinger has done toward that end.

OIL EMBARGO

Lastly, with respect to oil. Sheikh Yamani has stated that he believes the oil embargo against the United States has served its purpose, but

regrettably the Libyans, Syrians, Algerians, and Iraqis seem content to continue it.

Could you give us an explanation of the reasons for the difference of opinion and their assessment of the situation? What hope can you offer for a lifting of the embargo and, if it is lifted, is it likely to be reimposed at someone's whim?

Mr. Sisco. Senator, I am going to say very, very little in response to that question. It is not that I don't have a judgment, but I don't think it is prudent for me to make any real kind of a comment in response to what I consider to be not only very good questions but the right questions to ask at this particular juncture.

I would only say this: That the embargo decision was a collective decision, and it will have to be a collective decision in terms of changing the decision.

You have described the situation as I know it as well. My only judgment is that we should wait and see. There are various reports. I think we just have to wait and see what they specifically decide.

I will just take the highroad of statesmanship this morning.

Senator PERCY. I won't press you to answer in any greater detail.

COMMENDATION OF WITNESS

Senator PELL. It is a delight to welcome you here, a man who not only believes in balance-of-power politics but also has received a great deal of training and education in multilateral diplomacy. I am delighted you are on the job you are on.

I have quite a few specific questions, and maybe we can run through them as quickly as possible.

STATE DEPARTMENT RESPONSE TO S. 2802

The first is in connection with Cuba. I am well aware this has already been touched on. But on January 4 of this year the Chairman of this Committee sent to the State Department S. 2802, which was a bill introduced by me to repeal the so-called Cuban resolution, which has to be done before we move ahead to any further opening up of relations with Cuba or change of policy.

Although we sent that up the beginning of this year, we received no response whatsoever. When can we hope for a response from the Department to that communication of January 4?

Mr. Sisco. Let me look into it and I will give you an indication. I am not familiar with either the resolution, candidly, or the request and I will look into it and let me see what I can do about it.

[The following information was subsequently received:]

DEPARTMENT OF STATE,
Washington, D.C., April 1, 1974.

Hon. J. WILLIAM FULBRIGHT,
Chairman, Committee on Foreign Relations,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: In accordance with your request in your letter of January 4, 1974, the Department of State has reviewed S. 2802, "To repeal Public Law 87-733, known as the Cuban Resolution", and is pleased to comment upon it.

As stated in then Assistant Secretary Abshire's letter to you of June 3, 1970, the Department of State considers that the repeal of Public Law 87-733 is a

matter entirely within the discretion of the Congress, and as such the Department of State neither advocates nor opposes such action upon it as Congress may take.

In the Department of State's view the Cuban Resolution of 1962 continues to reflect United States policy toward Cuba. However, the Cuban Resolution also as a statement of policy is unlike other legislation affecting Cuba in that it has no substantive effect upon the powers of the Legislative and Executive Branches with respect to matters involving relations between Cuba and the United States. The Executive Branch has not depended upon Public Law 87-733 as its legal or constitutional authority for measures that have been taken in this regard.

I hope the foregoing statement will be useful to you in the Committee's consideration of action with respect to S. 2802. If you should have any further questions, please do not hesitate to let me know.

The Office of Management and Budget advises that from the standpoint of the Administration's program there is no objection to the submission of this report.

Sincerely yours,

LINWOOD HOLTON,

Assistant Secretary for Congressional Relations.

Senator PELL. I would say this bill is preparatory to any further action in this regard. I think I was the last Member of Congress to go to Cuba. I went just prior to being sworn in in 1961.

I have come to the conclusion we really ought to normalize our relations there. The amazing thing is that while the magazine, "Human Events" criticized me, I received favorable response from some of the Cuban refugees, the nonprofessional Cubans, the Cubans who are living in New York and the Cubans in Florida who want to see resumption of normal relations so they can get back in touch with their families. I would hope we could move quickly ahead on this.

STATE DEPARTMENT RESPONSE TO S. RES. 71

My next question concerns weather modification, and in this regard, as you know, we have also sent up some months ago a copy of S. Res. 71, which was a resolution that was passed by an 82 to 10 vote in the Senate.

I have a covering letter from the Secretary of the Senate to the White House asking for the State Department's reaction for this proposal calling for the nonuse or abrogation of use of weather or geophysical means as weapons of warfare. So far we have not been able to get a reply.

When can we hope for a reply?

Mr. SISCO. Senator, having been in this job of Under Secretary for Political Affairs for 2 weeks I don't want to make a rash promise and say to you-----

Senator PELL. You have been in the Department for 30 years.

Mr. SISCO. I hope that our responses will be more expeditious than that, but let me look into that one as well.

[The information referred to follows:]

DEPARTMENT OF STATE REACTION TO S. RES. 71

[Supplied by Department of State]

Mr. Sisco notes that the Secretary wrote to Senator Pell about this subject on November 5, 1973. In his letter the Secretary assured Senator Pell that Senate Resolution 71 must be taken very seriously. The Secretary also said that although his letter was not a coordinated Executive Branch reply to Senator Fulbright's letter of March 21, 1973, he would look closely into the matter to determine how we might be responsive to the Resolution's recommendations. Herman Pollack, Director of the Bureau of International Scientific and Technical Affairs, testified on the Resolution on January 25 before the Senate Foreign Relations Committee's Subcommittee on Oceans and the International

Senator PELL. Are you aware at all of any dragging of the feet by any other Government department in trying to secure a reaction in this regard?

Mr. SISCO. I am not.

Senator PELL. As soon as you look into it, I am sure you will become aware of that.

NAVAL FACILITY ON DIEGO GARCIA

In connection with Diego Garcia, I have introduced an amendment seeking to knock that ill-considered proposal, in my view, out of the Defense Department budget.

I would like to ask you several questions in greater detail than the Chairman asked you earlier.

At what stage are the negotiations with Great Britain in this regard? In other words, has the agreement been signed for the enlargement or is it still under negotiation?

Mr. SISCO. It has been agreed to on an ad referendum basis; in other words, the negotiators have achieved an agreement subject to the approval of their respective governments.

Senator PELL. Does that mean approval by the executive branch or will it be referred to the Senate?

Mr. SISCO. I think I will have Mr. Weiss address himself to this because he has been dealing with this over the past months.

Mr. WEISS. If I might just add, the executive branch has, of course, conducted some consultations with the Congress. I think you are familiar with those. The Congress in addition will have four cracks at the program. It will be submitted first as it is now, the authorization bill of the Department of Defense, be voted on by both Houses, then it will be subsequently resubmitted, of course, for the appropriation stage, and that is what the current plans of the administration are for achieving congressional approval.

Senator PELL. What about the executive agreement itself? Will that be sent up to us for approval?

Mr. WEISS. Not as such, no.

Senator PELL. But it will be sent up to us in accordance with the present procedure. We will be notified of it?

Mr. WEISS. Absolutely. It will be essentially an amendment. As you know, the original agreement was signed in 1966 with the British General Covering Agreement which, of course, was discussed with the Congress at that time.

Then I believe it was in 1972 there was an agreement to establish the communication facilities. This will be basically a further agreement along those lines to provide for the naval facility.

Senator PELL. Getting into the specifics of the proposal, the Navy says they need to beef up the Diego Garcia as an answer to the Soviet's move in Somalia, but the Soviet position is that they had to go in Somalia as perhaps an offset to some of our efforts in Ethiopia, and other efforts we have made.

If we move ahead with this project, how many Navy personnel do you see permanently stationed at Diego Garcia?

Mr. SISCO. There are no plans at present for any permanent stationing of naval personnel.

Mr. WEISS. Of combat personnel that is right.

Right now there is something like 275 men there who are basically technicians, mechanics, and so forth. That will be raised to approximately 475, sir.

U.S. MAJOR AND MINOR OVERSEAS BASES

Senator PELL. There used to be a differentiation between those American overseas bases which had more than 500 and less than 500 American people at them. Those with more than 500 were called major; those with less than 500 were called minor. My recollection is we have something like 1,800 bases, 300 of which have over 500 people.

Is there any reason why you could not furnish for the record an unclassified map showing those bases and the differentiation between the two types?

Mr. SISCO. We will certainly try to provide a map in the classified or unclassified category. We will do our best in this regard. Whatever is available we will put it together.

Senator PELL. I think it would be interesting because I have never seen a map of that sort and it would illustrate some of the concerns that we have.

Why would it be classified?

Mr. SISCO. I doubt that it would be, but in any event I am not aware we have such a map and we will try to put one together.

Senator PELL. I would like to formally request on behalf of the committee that your geographer or somebody in the Department prepare for inclusion in this record such a chart. If you have to omit any bases for military security reasons, at least let us know, if necessary on a classified basis, the numbers and sites of those you have not been able to include.

I think this would be a service to the committee and to the public. [The information referred to is in the Committee files.]

EXTENSION OF FACILITY ON DIEGO GARCIA

Senator PELL. Going back to Diego Garcia, is the Air Force involved in these plans or is this mainly a Navy base?

Mr. SISCO. There is planned in this extension of the facility, the expansion of, extension of a runway to something like 12,000 feet, and then there is expansion of air field parking areas, and so that the Air Force is involved. Aircraft maintenance facilities as well.

I think what they have got in mind, if I recall, that the Secretary of Defense testified something like one air transport hangar and that kind of thing.

COST OF MAINTAINING PRESENT CUBA POLICY

Senator PELL. Returning for a second to Cuba.

Could you furnish us now or for the record the present expenses involved in maintaining our Cuban policy, the cost of administering the quarantine regulations, the refugee and exile programs.

Mr. SISCO. I will put that in the record.

Senator PELL. Thank you.

[The information referred to follows:]

EXPENSES INVOLVED IN MAINTAINING CUBA POLICY

[Supplied by Department of State]

1. ECONOMIC DENIAL PROGRAM

(a) Department of State. About 10 man years were devoted to this program in 1973 at a cost of about \$250,000. Of the 10, 7 are in Washington and 3 are in the field. The man years are a composite figure; no single person gives 100% of his time to the Cuba denial program. The cost figure includes salary and overhead.

(b) Department of Commerce. About 3 man years were devoted to this program in 1973 at a cost of about \$50,000. The man years are a composite figure; no single person gives 100% of his time to the Cuba denial program. The cost figure includes salary and overhead. Expenditures on this program were higher in the early 1960s.

(c) Department of the Treasury. The Department of the Treasury estimates this program cost Treasury \$85,000 in 1973.

(d) Termination of the economic denial program would not permit savings of the entire amounts listed above. It would not be possible to eliminate many positions since the man years, especially in the case of the Department of State, are comprised of man hours contributed by many different people.

2. CUBAN REFUGEES

Cost to USG of Cuban Refugee Program since 1961 through FY 1974: \$993 million, most of which has consisted of reimbursements to states for added welfare burden. Presently, 85% of Cuban refugees are working, tax-paying individuals. Accordingly, the Cuban Refugee Program proposed budget for FY 1975 is \$60 million. The program is expected to be scaled down considerably over the next five years, due to the cessation of the refugee airlift in 1973. Transportation costs for the airlift were \$3.25 million for approximately 3,000 flights from 1965-73.

3. SWISS DIPLOMATIC REPRESENTATION IN HAVANA

Cost per year is approximately \$400,000. The cost of operating an Embassy establishment similar to the one maintained in Havana before Castro would now cost in excess of \$2 million per year.

WHY NOT SAME RULES FOR CUBA AS RUSSIA AND CHINA?

Senator PELL. What is the reason in connection with Cuba that we are not applying exactly the same rules that we have with Russia and China, that it is better to negotiate and enter into dialog rather than attempt to isolate?

Mr. SISCO. My response to that question, Senator, is the same one which the Secretary of State gave in his press conference on December 27. I would like to quote; I don't want to deviate from it. He said at that time:

"The major obstacle to rapprochement with Cuba has been the hostility of the Cuban Government and its commitment to revolutionary policy throughout the Western Hemisphere."

I think that is the basic position of the administration.

Senator PELL. But is Cuba considered to be more dedicated to revolutionary policy in the Western Hemisphere than the Soviet Union?

Mr. SISCO. It is very difficult to make a distinction from an ideological point of view. I suppose from the point of view of its practical consequences in the Western Hemisphere I think one would have to make a pretty important judgment.

I would simplify, I would add this: I think we are satisfied as a Government that both the Soviets and Communist China, the People's Republic of China, have given some pretty clearcut indications of a desire in one instance to achieve concrete agreements of a mutual benefit, and in the other instance to initiate a new dialog. I think basically the administration feels that there is not a similar indication of a significant kind on the part of the government of Cuba.

Senator PELL. My recollection is that their Ambassador to Mexico made some statements along that line a few months ago. I don't recall the exact statement. If the statement was renewed by the Cuban Government, wouldn't that remove that particular objection?

Mr. Sisco. Well that is an iffy question and I don't think I really ought to respond to that. Obviously if there are some indications of that sort, why I think any change in the situation or any change of attitude on the part of the Cuban Government would have to be looked at. But I don't want to speculate on what we do in that particular instance.

I think the fact of the matter is we don't feel presently there is any such indication.

Senator PELL. Mr. Cyrus Eator, who some call a "fellow traveler," put together a substantial capitalistic fortune and believes, I think, in free enterprise or he wouldn't have put together the fortune he did. I was very struck with the report that he came back from a visit there with very strong statements in this regard.

Are you aware of those?

Mr. Sisco. I have seen reports of those in the press, yes, sir.

Senator PELL. I would hope that these might be followed up and that some efforts might be made to reassess our policy there.

Do you know if any such steps are in process now?

Mr. Sisco. I know of no steps presently in train, Senator, by way of reassessments of our policy with respect to Cuba. Our policy is as I stated it a moment ago in quoting what Secretary Kissinger had to say in his December press conference and I am presently not in a position to go beyond that.

JUSTIFICATION FOR ASSISTANCE TO ARAB COUNTRIES

Senator PELL. Going for a second to the Arab oil embargo, how can we justify the military and economic assistance that we have been giving—it is not very substantial—to the Arab countries, in view of the fact that they are exerting an embargo on us?

Mr. Sisco. First of all, I think you are right in saying that it is a limited amount that is involved.

Second, in most instances I think the record should show it is not a question of giving but a matter of sales, and in circumstances where if we were not selling these arms others might. But more important I think it really relates to our overall political and economic and overall relationships with these countries.

While supporting the security of Israel we are trying to improve our relationships with the Arab countries. I think this is in our overall political and economic and strategic interest in the area and these are modest amounts that are involved. If we weren't selling them in these instances I think others would be.

ECONOMIC STEPS IF ARABS CONTINUE EMBARGO

Senator PELL. What economic steps can you visualize that we could take if the Arabs continue to apply the embargo? I know we are optimistic that will be lifted. If it carried on for a matter of months, do you have any suggestions?

Mr. Sisco. Well I think in the economic sphere I think we are limited, Senator. I think what is more important is the role that the United States plays in this entire area and our presence there as an element of stability in the area. I think that is the fundamental fact of life.

If you were to take it strictly from the point of view of economic leverage I think we are very limited indeed.

REFUGEE ASSISTANCE PROGRAMS

Senator PELL. Going to the International Committee on the Red Cross and refugee matters, do you think our refugee assistance programs are in any way relics of the cold war?

Mr. Sisco. On the contrary, I think that first off what has happened is this. There was a period of time where our support for these refugee programs within the framework of the United Nations and other international organizations as well bilaterally focused on the question of refugees from Eastern Europe, largely in the European Continent.

What has happened is much of the focus of the refugee work and much of the money is going for refugee assistance in the developing countries so that the focus is on Africa, the focus is on Asia, and so on, and I think this is not only important from a humanitarian point of view but I think it is an important element of stability in a number of these countries and I am pleased to say that I think we have historically done a great deal in this field.

We have contributed more than any other country in the world multilaterally and otherwise and I think this has been a constant of American diplomacy about which we need apologize to no one.

SUFFICIENCY OF FUNDS FOR REFUGEE ASSISTANCE PROGRAMS

Senator PELL. Did you find that funds for refugee programs are sufficient?

Mr. Sisco. Senator, when are funds fully sufficient for programs of this kind? I think I am satisfied that our contribution has been greater than any other. Do funds meet the needs? No, Senator, they don't meet the needs.

You look at the situation, for example, in the middle of Africa, where you have had a terrible drought, the accumulation of 5 or 6 years of drought. Needs are great. We have made a very substantial contribution. Does it meet the situation entirely? No.

And one can obviously go around the world. Take Bangladesh, for example. We have contributed more to the postwar relief than any other country in the world. We are contributing a very substantial amount now. Is it enough? No; because the problems are so great.

DEPARTMENT'S REACTION TO INCREASED CONTRIBUTION TO ICRC

Senator PELL. As you may know, I have introduced a bill to raise our annual contribution to the International Committee of the Red

Cross from \$50,000 to \$500,000, a rather modest amount when you consider the work that ICRC has done to help our people in Vietnam and also what they are doing in the Middle East.

What is the Department's reaction to this proposal?

Mr. SISCO. It has our full support, Senator.

Senator PELL. Thank you very much.

PROSPECTS FOR PROGRESS IN SOLVING MIA PROBLEM

What do you think the prospects are for progress in solving the MIA problem?

Mr. SISCO. One, we are continuing in our efforts to seek an accounting both as it relates to the missing in action as well as the bodies themselves, and we are going to continue our efforts to this end. We are not satisfied that we have all that we would like to have and I can't really predict in terms of its resolution but we are certainly going to continue our efforts.

EXCHANGE OF AMBASSADORS WITH SWEDEN

Senator PELL. There was an excellent article in the New York Times yesterday about Sweden. I was wondering what your prognosis is as to when there will be an exchange of Ambassadors.

Mr. SISCO. Yes; Senator, Senator Aiken similarly called this to my attention.

Senator Humphrey, I will try to give you a brilliant answer.

My hope is that some early step will be taken on this because I know that the matter is under active consideration.

Senator PELL. Was it realized by the Department of State that the Swedish Ambassador, being here on the Chilean business is speaking as an individual and not speaking for his Government?

Mr. SISCO. Yes; I am aware of that.

Senator PELL. And the Department and the White House are aware of it?

Mr. SISCO. I don't know about the White House. I have heard these reports.

Senator PELL. I think it is a point that should be emphasized. He is an individual speaking as an individual, which under the Swedish law he has a right to do, but he does not represent the Government.

Mr. SISCO. As I say, I am hopeful that early action will be taken on this, Senator.

Senator PELL. Excuse the scattered nature of these questions but they vitally interest this member of the committee.

BILL CONCERNING MILITARY CREDIT ASSISTANCE TO GREECE

In connection with Greece, as you know, the Senate passed without a single objecting vote a bill, S. 2754, that said that no military assistance should be given to Greece unless the President testified that Greece was living up to its political and military commitments under NATO. Political presuming just a spot of democracy, and military meaning that the fleet would not have to be confined for fear of runaway and planes would be given adequate gas so they could fly and not be thought flying away.

Since the Senate passed this unanimously, or without objection, it now reposes in the House.

I was curious if the Department of State and the Executive branch would take this bill or this expression of view, which Senator Jackson and I introduced, and be guided by it in any way that would affect our policy. Has its contents been brought to the attention of the Greek Government?

Mr. Sisco. Well, first of all, let me say that I am sure that the Greek Government is not only aware of this bill, they are very, very sensitive to what occurs here in the Congress.

With respect to the bill itself, our concern is, Senator, very candidly that it really leaves to the executive branch the passing of a judgment, if you will, on a NATO member's compliance with its obligations under the Alliance.

You and I have discussed this question of Greece over the years a good many times, and whatever one might think in terms of the nature of the Government, and certainly our commitment as a government to democratic institutions and representations, all government not only in Greece but elsewhere, I think the question that is posed for the policymaker is how best to secure cooperation between the United States and Greece within the NATO framework so that both we and Greece can promote our mutual interests in what is obviously an important part of the area of NATO.

We have proceeded in this policy regardless of whatever our views may have been with respect to internal developments in the belief that this is in our overall strategic interest, and I know there are two viewpoints.

But I think we tend to give weight to and are giving weight to the mutuality of the strategic interests here.

Senator PELL. Do you believe that the Department of State is taking into consideration the fact that Greece's officer corps has been decimated and its military potential is limited? All this bill does is to ask you to certify or testify that Greece can live up to its military potential as an ally.

Mr. Sisco. I am not so sure we have reached that judgment. We have not reached the judgment candidly that Greece as a result of these developments that have occurred over the past year is not in a position to discharge its obligations militarily as a NATO ally. We have not made that judgment.

Senator PELL. In spite of the defections that have occurred?

Mr. Sisco. Yes.

Senator PELL. I would hope that the Department would come to that conclusion.

EFFECT OF HOMEPORING ON U.S. RELATIONS WITH GREECE

What effect is homeporting having on our relations with Greece? I speak personally. My own city of Newport was a port for vessels, and they moved to Athens, which brought great sadness to us. I wondered what the effect was on Greek-American relations in this regard.

Mr. Sisco. First, let me say we remain in so-called phase I, as you know. There are ongoing discussions between ourselves and the Greek Government. We have made no final decisions, Senator, with respect to actual implementation or going ahead on phase II.

I think that, as I look at these discussions, you have to look at these discussions in the broader sense. We have felt that homeporting is a bulwark to our own Navy and that we have seen this largely in terms of not only our own NATO obligations but Greece's obligations as well. And I think that, however, we are taking into account the entire situation.

Discussions are continuing, and as I say, no final decision has been taken with respect to going ahead on phase II.

BUREAU OF OCEAN AND ENVIRONMENTAL SCIENTIFIC AFFAIRS

Senator PELL. It being over 6 months since Congress approved my bill recommending that a Bureau of Ocean and Environmental Scientific Affairs be set up, when will this bureau be established and has any decision been reached as to who will be in charge of it?

Mr. SISCO. One, the work to organize this new bureau has been completed, and we are now awaiting the final action of our Secretary of State. There has been no decision that has been taken with respect to who will head up the bureau.

Senator PELL. Are funds for this operation included in the budget?

Mr. SISCO. Yes, they are.

Senator PELL. The fishing industry has expressed concern that its interest may suffer in the organization of the bureau. I am sure this is not the case. One rumor I have heard is you will probably have three Deputy Assistant Secretaries—one for science, one for fisheries, and one for environment. Is that correct?

Mr. SISCO. That is correct; and we are keenly aware of the importance of fisheries, and anybody who is even remotely familiar with this area of work will know that this is an area that is not only significant, but there has been pretty good contact between the Department over the years and the people who are involved in this.

Senator PELL. Will the Deputy Assistant Secretary for Fisheries be given the negotiating rank of Ambassador?

Mr. SISCO. I am not aware that that is in the present plans, but let me report that to our Secretary of State and we will be very glad to focus on that.

Senator PELL. I have written to the Department on it. I think it is a very important point, and if it is done, it can help smooth out many problems that might otherwise arise.

Mr. BROWN. We generally intend to do that, depending, of course, on the committee's approach to the ambassadorial rank.

Senator PELL. I am coming to that in a minute in general. I realize I am going against the general premise we have taken, but in this particular case, I think we should not be the prisoner of what has not become the Department policy but is our policy.

PRESIDENT NIXON'S ORIGINAL OCEAN POLICY

Is there a retreat from the principles of President Nixon? There is an excellent statement of President Nixon's original ocean policy several years ago based on the idea of revenue sharing and also the concept that deep sea resources are the common heritage of man.

Has there been a little retreat here I detect, or—

Mr. SISCO. Retreat?

Senator PELL. Yes.

Mr. Sisco. No; that stands as the policy, and I detect no retreat from that at all.

Senator PELL. I do, but I hope I am wrong and that you are right.

INTERIM MEASURES TO PROTECT U.S. COASTAL FISHERIES

What interim measures can be taken to protect our coastal fisheries at this time from the depletion of the foreign fishing fleets until some arrangements are concluded in either Venezuela or Austria?

Mr. Sisco. We have largely tried to do this through informal and de facto conversations with the countries concerned. Obviously, as we look ahead to the Law of the Sea Conference that, as I say, one would hope that regularization and some understanding internationally would come out, but in the meantime we have largely had to resort to informal diplomatic discussions on these matters.

COMMITTEE RECOMMENDATIONS CONCERNING AMBASSADORIAL APPOINTMENTS

Senator PELL. Now, I want to come to a couple of points of administration.

We have sent to the Department and we received a reply, I think, a recommendation that the number of noncareer ambassadors be limited to 15 percent, of whom not more than 20 percent would be in any one area of the world, and that we would not confirm ambassadors who contributed more than \$10,000 to the political party of their choice.

I was curious what the reactions of you, Mr. Secretary, and the Department were to these suggestions?

Naturally, this was grandfathered in. It wasn't going to take effect like an action right now. But the purpose was to make sure you didn't have the plush field of Europe occupied entirely by political appointees, as most of the cases at this time, and then the less desirable posts in Africa and other continents occupied exclusively by career ambassadors.

I for one and many others believe very strongly that you don't appoint noncareer generals and noncareer admirals, and you shouldn't appoint noncareer ambassadors unless there is a strong reason.

Mr. Sisco. I believe the history will show both career and noncareer ambassadors have made positive contributions in those specific jobs and to the carrying out and the development of American foreign policy.

I have also felt personally a mix of the two is a very good thing, that obviously the careerist who has been in should be properly rewarded, but at the same time I don't think there is anything inconsistent with the notion there are a good many people on the outside who have had good experience, who can make a specific contribution and a positive one, and I think we have had a lot of good people over the years that could have come in from the outside and have done a very good job indeed.

In the last analysis, I think this is in the prerogative of the President, and I would hope that as one looks ahead over the coming years

that we don't approach it from the point of view of any preconceived mix in terms of a number of percentages at any given time.

I would hope that the recruitment would be motivated primarily by trying to get the best man you can and getting the best man for the job. This is an old-fashioned sort of view, but I think it is still very sound.

Senator PELL. I commend you for that and I believe in apple pie and motherhood, too, the best man for the job. But what would be your reaction to the idea there should be a limit on the political contribution? In other words, you wouldn't appoint a man who had given more than \$10,000?

Mr. Sisco. Well, I can't say that I really thought that through and I realize the question is—

Senator PELL. It is not theoretical.

Mr. Sisco. It is a question I was about to say being asked obviously in a very significant climate, but I would want to examine that carefully.

One concern I would have viscerally would be you don't want to place too many limits one way or another to lose your flexibility in terms of an appointment. I would hate to think that simply because a man had made a specific contribution, if he were the right man for the right job, that he would automatically be precluded from being selected for that particular job.

Senator PELL. Or the right woman for the right Grand Dutchy.

Mr. Sisco. I would agree with the observation, no man ought to be given a job simply because of the fact he has made a substantial contribution. But in any event, I think it would be well to approach this from the point of view of guided rather than any rigid law that really reduces the flexibility of the executive branch.

Senator PELL. I realize your problem and I don't want to pursue something to which I realize is difficult for you to reply.

INCLUSION OF APPOINTEES' POLITICAL CONTRIBUTIONS IN CONFIRMATION
HEARING RECORD

One other thought which has been going through my mind is to have the political contributions of all appointees, not just on file with the committee and available to the press, who never seem to ask, but to require that an automatic question and answer be included in the confirmation hearing record as it went along.

Do you think that would be a helpful thought?

Mr. Sisco. Included in the record as to whether a contribution has been made?

Senator PELL. Exactly.

Mr. Sisco. I would think that the committee has a perfect right to ask that kind of a question; in fact, my judgment is if you didn't ask that question you would really be remiss in avoiding that question, I think, as part of the record that a man brings to a particular job.

Senator PELL. Although, as you know, even then we run into problems like the Ambassador to Holland where this question was asked of him and he cited what he gave. However, we did not ask him what his wife gave, so he didn't mention that his wife had given the same amount on the same day going to the same bank.

Mr. BROWN. This is now required of all Ambassadors, career and noncareer, to list all contributions of all relatives.

Senator PELL. I am delighted to hear that.

PER DIEM RECEIVED BY INSPECTION CORPS MEMBERS

Do members of the Inspection Corps still receive an extra per diem of \$10 from the so-called confidential funds when in the field?

Mr. BROWN. Yes, sir.

Senator PELL. What about ad hoc members of the Inspection Corps?

Mr. BROWN. Are you thinking of public members?

Senator PELL. Foreign Service members who are temporarily assigned.

Mr. BROWN. No, sir.

Senator PELL. Why shouldn't they get the same? Why shouldn't they be treated alike?

Mr. BROWN. You are thinking of short-term inspectors. They have a home base. Our inspectors, one of the problems of getting people into the Inspection Corps is the fact they were gone from a country for a good part of a year. They have no home base in that sense and they do have an apartment. It is an added expense, so we have been trying to take care of them largely and not the ad hoc ones.

Senator PELL. Thank you.

HAVING ONLY ONE CAREER SERVICE SUGGESTED

I have seen the USIA go back and forth every 10 or 15 years from being an in-house agency to an outside agency, not an outhouse.

I have been partially responsible because my bill, in creating a separate Foreign Service Information Officers Corps, also created a tiny bit of a Frankenstein. Maybe we would do better if we had one career service. Certainly the political officers and Foreign Service officers in general, economic, commercial, anyway would benefit by being exposed to the press and public information functions.

And I think also the USIA officers would do better by being exposed to the regular Foreign Service.

What is your reaction? Maybe we did the wrong thing or I did the wrong thing 5 years ago in the bill and perhaps we would do better to reduce the Foreign Service Corps to one instead of two.

Mr. Sisco. I will let our management Under Secretary respond to that.

I want to say generally, of course, what set the route after that is the relationship really between the Agency and the Department of State and here I have always felt over the years, if you got to distinguish between the USIA on the one hand and the Voice of America on the other, USIA after all has the function of giving guidance, information guidance to our various information people in the field, based on a policy which is evolved in the executive branch.

There obviously has to be a very close coordination between the so-called policy officers in both USIA as well as the State Department itself.

Now that is distinction, Senator Pell, from the Voice of America, which historically has been a media instrumentality that does not take

direct governmental guidance but tells the news as it is. Of course this is an old story.

Senator PELL. I am not talking about that. I am talking about the career of the officer.

Mr. Sisco. My point is you have two different kinds of functions. The reason why I say that by way of generality is because I think this is not unrelated.

I will have Dean Brown respond to the management part, the administrative part of this.

Mr. Brown. We agree that there should be a greater interplay between USIA and State Department officers. We are negotiating right now with USIA to increase the number of people and the levels at which we have an interchange.

Now this doesn't totally satisfy the problem as you have expressed it, sir, so I have consulted with the Secretary on the whole issue of where we should be with the State Department, USIA, our public affairs, our cultural affairs and all, and we are going to take another look at this.

To tell you the truth, I don't know where we are going to come out, but it is not totally satisfactorily.

Senator PELL. I would agree with you.

I have done a lot of thinking about it and the thought I come up with is that we ought to keep the same functions separately, as Mr. Sisco suggested, but we ought to have one Foreign Service officer who would do both functions.

INDIA'S USE OF TROOPS TO MOVE INTO OTHER PEOPLE'S TERRITORY

My final question. I am always concerned about and interested in the affairs in the Indian Ocean. I am always struck that India, which talks about peace a great deal, does not always practice it. I was wondering if you could tell me now, or furnish for the record, the name of any other nation that has done what India has done, which three times since World War II has used its troops to move into other people's territory, once in Goa, once in Pakistan, and once in Sikkim. I think it is the only country in the world that has done this. That is why I wonder if there were any others that equal this record.

Mr. Sisco. We will have a look at that and put it in the record.

[The information referred to follows:]

The complex nature of the research involved in responding fully to this question precluded submission of a reply before the hearing record went to print. The Department will submit its response in a letter to the Chairman as soon as possible.

Senator HUMPHREY. I want to make two quick observations.

TIME TO ACT ON SWEDEN

On Sweden, let us get going on that one. This is nonsense. Senator Pell is a gentleman. I am fed up with it. Now we have had promises and commitments and I want to see something done. I think we are acting like a bunch of juveniles, petulant. What is wrong with Sweden? I think this is ridiculous. I won't even ask you to make a comment. I want you to know I am half burned up and I intend to get quite mean about it.

You people depend on some of us around here for help on USIA, foreign aid and a few other things you may lose.

It is time to act. This is now March. We brought this thing up months ago and either we get some action or tell us you are not going to act. We are not boys. We want to know one way or the other.

You can tell the Secretary that he better look this record over because I remember what he told us.

Senator PELL. Please add I decided not to be a gentleman, too.

Senator HUMPHREY. Good.

PREVENTION OF SALE OF AMBASSADORSHIPS

On the ambassador proposition, I want to say on the contributions, which Senator Pell brought up, I think the Congress ought to take care of this, and we have a job.

Senator Pell has a bill out of the Rules Committee which I think will take care of it. The way to prevent the sale of ambassadorships, or however people wish to refer to it, is for the Congress to put specific limits on individual and family contributions to any candidate. I believe in public financing, particularly for the President and Vice President. That will end any need to making any contribution at all.

Then we can choose the talent as we see it wherever we find it, because I agree with you that some of these ambassadors from private life have been very good. They have helped a great deal. Some of them have not, and they have been judged on individual cases.

So we will try to do our part around here and I want you to know Senator Pell has the bill that will do it. We are going to vote on it this week, aren't we?

Senator PELL. Not this week.

Senator HUMPHREY. You might speak to the Members of the other body. I understand we have a little problem over there.

I disagreed with the President's opposition to public financing.

FUEL CRISIS' ECONOMIC IMPACT ON DEVELOPING COUNTRIES

My areas of interest at this particular stage are particularly on the economic front.

How do you judge the economic impact of a fuel crisis on the developing countries? Let me say I read in the Times this morning the article on the critical new food shortages predicted for India. It pointed out, for example, that India, the second most populous nation after China, consumed 24.5 million tons of petroleum and related products last year. Of this 17 million were imported. This year India expects to spend 50 to 80 percent of what she earns through exports on oil wells compared to 20 percent last year.

The report said Eastern and Western nations must step up their aid to India and a new source of assistance must be tapped. The report indicates there is a \$3 billion shortfall, so to speak, for aid to India.

India is just one. All over the world we see this tremendous impact of three things; food, fuel, and transportation.

How do you see it? How are we going to do it or is nothing able to be done?

Mr. Sisco. The first part of the question is less difficult to respond to than the second one because I don't know that we have any clearcut answers, Senator.

It is disastrous for many of these developing countries. Let me give a cogent example. I don't want to mention the country.

X country, the Ambassador from X country came to my office 2 weeks ago. He said we use 1.5 million tons of crude oil in the year. That is all we use. We use it for the lanterns and little huts and for cooking and I am having trouble getting this 1.5 million tons of crude oil. Will you help me?

Well, as it turned out we were in a position to be helpful and it is going to be made available.

That wasn't the point.

He said to me we are talking about \$8 a barrel as against \$12 a barrel. He said you know what difference that makes to me, Mr. Sisco. If we are able to get it at \$8 a barrel we will have some foreign exchange for the next year. If we have to pay \$12 a barrel, it wipes out our foreign exchange entirely.

Now to me that was a most cogent example in very clearcut terms as to what it could mean.

I am worried about the food situation because the petro-chemicals, the whole fertilizer situation as it relates to India. We are looking at this. We are trying to study it. But I can't tell you in all honesty that we have any clearcut answers.

I indicated a little bit earlier I did not want to say anything at this delicate juncture by way of any predictions.

Second, the price is very high. There are some indications, as you know, Senator, that prices have come down at various of the auctions in the last 4 or 5 weeks.

For example, there was a case here a couple of weeks ago where some oil went below \$10 a barrel. Now my own judgment is that if the embargo is lifted and if other steps are taken, that one can look forward to a decrease in the price of oil, but, how far it will go down, whether we can ever realistically hope that it will go down to the price level that existed some time ago, I rather doubt that this is the case.

So that we have got here a situation where not only foreign exchange of these developing countries is eaten up, it is destabilizing on the entire monetary system itself, and it has implication for the advanced countries as well.

APPROACH TO PROBLEM

We have basically tried to approach it in the Washington Energy Conference from the point of view that there is no one country that can solve this problem, that it is a worldwide problem. We have to all concert together.

In the first instance the consumer countries have to know what they want so they can meet with the producers in a sensible conference, and to get together and to look at all of these things on a worldwide basis, prices, monetary system, food, agriculture and what have you.

Now I have done no more than to indicate to you what the agenda is but I know that we are focusing on this because we think that it is an international problem that can only be solved by a global attack.

Senator HUMPHREY. I agree with that and as yet we haven't had the global attack.

IMPACT OF FUEL CRISES ON LESS DEVELOPED COUNTRIES

Staff informed me here that the recent price increases for oil alone mean an additional cost to LDC's [Less Developed Countries], of a third of their entire foreign exchange earnings.

Mr. Sisco. We figure out \$30 billion in the next year.

Senator HUMPHREY. You add to that though doubled food prices, much of which they do buy, fantastic increase in transportation cost, and, of course, their other commodities have gone up. Some of these countries produce commodities and are beneficial. It appears to me that much of the work the World Bank and bilateral foreign aid program have sought to do during these past years has been vitiated, been wiped out. I think that somewhere along the line this Government or the United Nations or somebody ought to tell the Arab countries that they are not bankrupting the United States.

It is an inconvenience for us to have the embargo. Quite frankly there are even some good things. We might learn how to live a little better life. But for these less developed countries, it is a disaster. Arab countries that seek to change our foreign policy by their embargo are destroying other countries and destroying their economies and literally denying people the things that they need to live by.

I want to tell you I think it is time we spoke out about the Arab countries just taking on Western Europe and the United States. And we are arguing with our friends in Europe about it.

That is a secondary problem. What they are really doing is draining dry the limited resources of a vast part of the population of the world that lives on the thin edge of poverty, sheer survival, because fuel affects food, as you rightly noted.

The fertilizer shortage in South Asia is critical.

I notice the story talks about a critical new food shortage predicted for India. There is nothing new about this. Some of us have been predicting this was going to happen for a long time.

The same thing is true of Pakistan, Bangladesh. The same thing is true of Ceylon or Sri Lanka, and, of course, we now have the countries in the Sahel where the famine continues and where the drought continues. We are facing an incredibly difficult problem. When I say we, I mean the world.

ARE NEEDS OF POOR COUNTRIES BEING STUDIED?

Has State asked our embassies throughout the world to at least give some estimate as to the fuel and fertilizer needs of the poor countries? Have you taken a survey, asked our economic people to make that kind of study?

Mr. Sisco. It is going on right now and we are trying to do it on a worldwide basis because in addition to our ongoing efforts in the next steps on the World Energy Conference, you have a special session of the General Assembly coming in April that is focusing on the question of commodities and raw materials.

Moreover, we have given full support and called for a world food conference to be convened this fall so a lot of this substantive work

in the surveys are being made with a view to making a major substantive input into these ongoing international efforts.

Senator HUMPHREY. I would like to have for the record, when it is completed, the analysis that the State Department will make through our embassies as to the estimate of fuel, food, and fertilizer needs in poor countries as you see it for the coming year.

Mr. SISCO. Yes, sir.

Senator HUMPHREY. And the estimate of impact on the economic development and the economic life of those countries as a result of these shortages and these price increases.

I think it is terribly important.

[The information follows:]

ESTIMATE OF NEEDS AND IMPACT OF SHORTAGES AND PRICE INCREASES
ON POOR COUNTRIES

[Supplied by Department of State]

(As requested, the Department will submit its analysis to the committee as soon as it is completed.)

FOLLOWUP ON WORLD FOOD CONFERENCE

Senator HUMPHREY. One other observation.

You mentioned the World Food Conference, which is highly commendable. Do you have any plans for a followup on the conference? Do you have any plans for let us say, one, a year from now, to check the work of the first or to expand your observations?

Mr. SISCO. I don't think we have really gone that far, Senator. We are now gearing up for the conference itself in the fall. You have, as you above all know, this very well, we have also been, as you know, a contributor, major contributor to the FAO [Food and Agricultural Organization] work but in terms of what would come out of this particular conference we are actually in the planning stage right now.

Senator HUMPHREY. I hope you will keep on your agenda the necessity or at least the tentative necessity of continuity. These conferences are all very helpful, but it is the followthrough on them that really counts.

It is getting very late. I don't want to keep you much longer.

UNITED STATES AND WESTERN ALLIES

I have been deeply disturbed over what I have read in the press the last few days about the United States and our Western allies. I don't know what the facts are except what I have read, but I see the United States cancels meetings with Europeans. There is a good deal of stuff, chatter, that is getting printed.

Are we going to let this thing get out of hand? I am not ready to change my mind about new allies. The détente with the Soviet Union is one thing, but I am not ready to dance with Igor and let my friends over in Western Europe stand on the sidelines. We need Western Europe and the ultimate objective of Soviet foreign policy for 25 years of my life has been to destroy the alliance between the United States and Western Europe, to separate us. And I am for détente. I am for

working with the Soviet Union, a long ways. I will go a long way in that spirit.

But we must not permit that détente spirit and desire for some spectacular breakthrough, whatever it may be, to in any way erode what I think is the very heart and core of American national security and foreign policy, namely, our NATO Alliance and relationship with Western Europe, and I am worried about it.

What is your observation?

Mr. Sisco. First of all, I agree with everything you have said, Senator, because the very fact that conditions are changing in the world does not in any way diminish the importance of the Western alliance.

Let me try to say what I think the situation is in rather simplistic terms, if you will forgive me.

I think what you have read in the press really focuses on the fundamental question as to what the nature of the relationship should be between ourselves and our Western alliance and our Western friends.

As far as we are concerned, we favor the notion of Europe having its own identity. I want to make that very clear. We are not in my judgment trying to pursue a foreign policy that intends to dominate our allies, but we would like to see that European identity develop within the broad framework of the Atlantic community in concert with America and not in disassociation thereof.

And this is what we were driving at in the Washington Energy Conference when we said, "Look,"—and you put it so well when it comes down to the nitty gritty—"If this energy situation gets out of control America can take care of itself. We produce 85 percent of our own oil. It will be an inconvenience, but we will take care of ourselves. We can manage our own situation. But we think there basically ought to be a broad international cooperative effort."

And what has concerned ourselves, and here I am not trying to make value judgments—what has concerned us, for example, over the recent European Community-Arab Declaration, an important policy statement was developed by the European community without proper consultation with the United States, and, Senator let me put it bluntly, if the situation gets out of hand in the Middle East, what country is going to have to pick up the pieces?

So our concern is not the European identity shouldn't be pursued. Of course it should be, but we would like to see to it that it is within the framework of a broad cooperative effort within the Atlantic community.

Senator HUMPHREY. I am very pleased with your response. I asked the question for the purpose of eliciting your response because I think it is needed on the record. At a later time I know we will want to go into much more detail.

Senator Sparkman is chairman of our European Affairs Subcommittee and I don't intend to try to pursue this question any further.

The hour is late and I want to thank you very much for your comments.

Senator PELL. Thank you.

AFTERNOON WITNESSES

Thank you very much indeed, gentlemen, for being here. The subcommittee will recess until 2:30 this afternoon when we will be hearing

Messrs. Casey and Donaldson and the American Foreign Service Association.

[Whereupon, at 12:45 p.m. the committee recessed, to reconvene at 2:30 p.m. the same day.]

AFTERNOON SESSION

Senator PELL. The Committee on Foreign Relations will come to order.

OPENING STATEMENT

This morning the committee heard testimony from Mr. Joseph Sisco, Under Secretary for Political Affairs, who was asked to present an overview of U.S. foreign policy and to respond to a broad range of questions.

This afternoon the committee will hear testimony from the Department's other two Under Secretaries: Mr. William Casey, Under Secretary for Economic Affairs, and Mr. William Donaldson, Under Secretary for Coordinating Security Assistance.

Mr. Casey and Mr. Donaldson have been given more specific tasks. Mr. Casey has been asked to present an overview of international economic policy issues—covering trade, monetary, and resource problems—and also to discuss the process of interaction among U.S. Government agencies in the formulation and implementation of policy.

Mr. Donaldson, who has been dealing almost entirely with energy matters, has been asked to present an overview of the international energy picture and, secondarily, to discuss the Department's role in security assistance and political-military decisionmaking in general, and which is what falls within the scope of his formal assignment.

If you are ready, Mr. Casey, perhaps you will begin by introducing your colleagues and move ahead as you wish.

STATEMENT OF WILLIAM CASEY, UNDER SECRETARY FOR ECONOMIC AFFAIRS, DEPARTMENT OF STATE; ACCOMPANIED BY DEAN BROWN, DEPUTY UNDER SECRETARY FOR MANAGEMENT AND WILLIAM C. ARMSTRONG, ASSISTANT SECRETARY OF STATE FOR ECONOMIC AND BUSINESS AFFAIRS

Mr. CASEY. Thank you, Mr. Chairman.

I am here with Deputy Assistant Secretary of State Dean Brown, and Assistant Secretary Armstrong.

Senator PELL. I would add that Secretary Armstrong is a very old friend and colleague. The Chair is delighted to see him and deeply regrets, as I understand it, that he is leaving the Department. Is this correct?

I deeply regret that and I am glad that you are here.

Mr. CASEY. Mr. Chairman, I am pleased to be here this afternoon to provide you with information relevant to your action on the State Department budget for fiscal year 1975. I understand you would like me to discuss:

The Department's general economic interests and activities.
How it functions in the economic sphere.

The role of the post, which I have been the first to hold since you created it in earlier authorizing legislation, that of Under Secretary of State for Economic Affairs.

The process of decisionmaking on international economic matters in the Government as a whole; this is rather broad territory and I would suggest that I submit for the record a rather longer statement.

Senator PELL. Thank you very much. It will be printed in full.

Mr. CASEY. There is also supplemental material on how decision-making is structured and how it works in trade, money, and financial matters. I believe my staff has submitted that to the clerk for the record.

STATE DEPARTMENT'S TASKS IN ECONOMIC POLICY

I would like to summarize my statement briefly and say that in economic policy the State Department has three closely interwoven tasks: The first, that of keeping the United States on solid ground in its balance of payments and in its trade, investment, and development relationships with the rest of the world.

Two, to maintain and improve a world economic order which facilitates the flow of goods, investment, and technology in a manner which will produce the greatest mutual benefit, foster cooperation in meeting common problems of inflation, poverty, and pollution and minimize political frictions.

Three, to work for a proper balance between domestic and foreign economic objectives and between economic, political, and security aspects of our foreign policy.

Let me try briefly to sketch how we approach and what we have done on each of these tasks.

U.S. BALANCE OF PAYMENTS, TRADE, INVESTMENT AND DEVELOPMENT RELATIONSHIPS

You will recall that it was only a year ago that we were looking at a trade deficit exceeding \$6 billion for the previous year, \$10 billion deficit in our balance of payments and intermittent periods of intense monetary disorder in which the dollar had fallen by as much as 12.7 percent on a trade weighted basis with our major trading partners. Here we are a year later and we can look at a surplus in both our trade balance and our payments balance the last year, and the dollar has recovered 6.9 of the 12.7 percent it lost in value—more than half.

The dollar is once again among the strong currencies of the world. This is the result of some tough decisions and a lot of hard work. The devalued dollar made our goods once again competitive in world trade. We put millions of acres of agricultural land back into production and the combination of increased farm production and higher farm prices was by itself enough to wipe out the 1972 trade deficit as our export of agricultural products was increased by \$8 billion over the previous year. Our oil bill increased by \$3¼ billion, but we were able to meet that by increasing our exports of high technology goods, computers, airplanes, reactors, by \$3.5 billion.

Dividends and related receipts from our investments and the application of our technology and managerial skills abroad increased by some \$3 billion. It was a remarkable turn-around, but it will take more hard work to maintain the positive trade balance we achieved

in 1973. The quadrupling of the the price of crude oil will place a heavy drain on our balance of payments. To meet this, the combined efforts of State, Commerce, and the President's new Export Expansion Committee to identify export markets abroad, to make American firms more export-minded, and to assist American companies to sell abroad will have to be intensified, as will the efforts of the Export-Import Bank to finance exports.

In particular, the sharp tilt of money flows toward the oil-producing countries making it vital that State be geared to follow through on the initiative of Secretary Kissinger in establishing the Energy Action Group.

We need to go all out to help American companies participate in diversifying the economies of the oil-producing nations, and to attract their investment in applying the experience and technology which we have in the United States to energy resources here and abroad. The State Department will participate in these critical undertakings through its embassies abroad, its Office of Commercial Affairs and Business Activities and its Bureau of International Scientific and Technological Affairs, and I expect Secretary Donaldson will have more to say about this vital undertaking.

MAINTENANCE AND IMPROVEMENT OF WORLD ECONOMIC ORDER

Now, as to the second part of the Department's economic task as it relates to the kind of an economic world we want to have, first, we want a world trading system as free of barriers as possible, governed by rules which promote cooperation and minimize restrictive practices.

Second, we want a financial and monetary system which has flexible strength and stability so that the economies of the world can face the future with confidence.

Third, we believe that the United States, with its rich and diversified economy and skills, can provide its people with a better life if we play an active role as a full member of a sound international economic system. That means fostering the free flow of capital, technology, experience, and skills and people as well as trade.

Fourth, we consider that economic progress for the less-developed countries is essential not only for the welfare of their peoples but also for the sound functioning of the world society, in the political as well as the economic sense.

For these purposes we undertake trade negotiations, we seek monetary reform. We work for a favorable climate of rules on investment and multinational corporations—more comprehensive development policy integrating trade, investment, business and technology policies with development assistance. And we tackle problems arising from resource shortages of energy, food, and metals.

In my statement, Senator, I have elaborated upon this range of problems and just let me mention, for the purpose of this short introductory statement, and I would be pleased to answer any questions that you may have on the specifics.

The shortages of energy and labor, to go with fear of pollution, will move whole industries to places where those problems can be overcome. This is just one of the forces which are moving nations and industries to change and readjust their activities around the world, to which the American economy will have to adapt.

Germany and Japan have adopted a conscious policy of moving industry abroad, where labor is more plentiful, where pollution problems are less severe and energy is cheaper. Less-developed countries can get their resources developed and develop jobs for their unemployed by attracting these industries. Korea, Taiwan, and Brazil have been very successful at this. Malaysia, Indonesia, and others are following. The Soviet Union seeks to attract capital and technology with its cheap energy and its forest, metal, and hydrocarbon resources.

These emerging trends in this swiftly changing economic world make it essential to our security as well as to our political and economic future that we keep alive and healthy, flexible and attuned to changing economic reality all our instruments of international economic action—including diplomacy and commercial intelligence and representation, trade and monetary policy, the channels for two-way investment and technology transfer such as multinational enterprises and official development institutions.

In the State Department, we have specialized offices for international resources and food policy and for international finance and development as well as having the geographic bureaus focusing on these problems. We have an office of East-West Trade and a science and technology unit working to protect our security and economic interests as we try to develop trade and build a structure of peace by establishing economic links with Communist countries.

BALANCE BETWEEN FOREIGN AND DOMESTIC OBJECTIVES

It is fair to ask whether our raw material, food, and energy problems invalidate the means we have chosen to seek the goals we have set for expanded world trade, investment governed by economic incentive, development of the poorer nations, a sound monetary system, and prosperity for the U.S. economy, or whether some different techniques are necessary to move toward our goals.

To us the recent dislocation in trade and finance demonstrate only too clearly that we must intensify our efforts toward a cooperative trading and monetary world, because the problems are so great that no nation can begin to solve them on its own. Growing interdependence drives us toward common solutions, and these solutions must make good economic sense if we are to have good international relations.

STATE DEPARTMENT ORGANIZATION TO CARRY OUT TWOFOLD MISSION

Let me now turn to how the State Department itself is organized to carry out its twofold economic mission—first, achieving direct economic needs and objectives, and second, assuring that economic considerations are taken into account in achieving political and security objectives.

Within the Department the focus of country expertise is in the geographic bureaus. The country desks and, on a regional basis, the geographic bureaus under Assistant Secretaries who bring together knowledge of the political, economic, security, and cultural characteristics of a particular country or area, and who know how the overall interests of the United States relates to each of these elements.

The functional bureaus—those staffed by economic, commercial, scientific, and other specialists—perform a twofold function in support of the Secretary, his deputy and Under Secretaries and the geographic bureaus. They provide special expertise in depth and they relate to the other agencies of Government concerned with economic policy. They are the experts in such areas as trade and monetary policy, transportation, communication, science, and technology.

The Under Secretary for Economic Affairs carries responsibility for identifying and working out within the established framework the continuing conflicts between domestic and foreign policy objectives and between political, security, and economic aspects of our foreign policy.

CONCERN OF OTHER AGENCIES

Most of the economic problems dealt with by the Department of State are also of concern to other agencies of the Government. As part of our responsibility in U.S. foreign policy, we are concerned with international monetary negotiations, programs to improve our balance of payments, the protection of U.S. investment abroad, export financing, and development assistance policy. So is the Treasury Department.

We are concerned with international trade, foreign investment, strategic materials and supplies, intellectual property, marine transport, telecommunications, ocean affairs, atmospheric and marine sciences, and export expansion programs. So is the Commerce Department, and in a wide range of other economic problems having international ramifications, you will also find the Labor Department.

We are concerned with the sale of U.S. agricultural commodities, including concessional sales, U.S. participation in commodity agreements and consultative groups. So is the Agriculture Department. Our foreign policy responsibilities lead us to share with the Interior Department an interest in stockpile disposal policy and tariffs on metals and minerals, with AID an interest in our bilateral economic assistance programs, with the Labor Department an interest in textile policy and adjustment assistance, with the Civil Aeronautics Board an interest in air route agreements, and with the Federal Maritime Commission an interest in shipping policy.

We work closely with the Office of the Special Representative for Trade Negotiations in our multilateral trade program. We have increasing mutual interests with the Federal Energy Office in an area of economic policy of growing concern.

TASK OF COORDINATION

The task of coordination, both substantively and bureaucratically, is difficult. There is no simple answer. Domestic policy will always have its international ramifications and vice versa. Every government in the world has its Foreign Office, its Finance Ministry, its Agriculture Ministry, its Commerce Ministry, its Energy Ministry. Every government struggles with the task of coordinating these objectives and functions. If the coordinating agency gets too big, the coordinating problems merely rise to that level. If an effort is made to duck the coordinating problem by creating a Foreign Trade or a Foreign Economic Ministry, as some governments have, you merely

denude State, Treasury, Agriculture and Commerce of outward looking international affairs staffs and narrow their outlook. You reduce the capacity of each department to identify and weigh international implications in its operation and you create one more body to be coordinated at the White House level.

It is, therefore, my opinion that we have the right basic structure now for carrying out a foreign economic policy in the major Cabinet departments, plus coordinating machinery in the White House. What needs to be done is to streamline and improve this structure and make it work better.

Today, this is accomplished through the Council on Economic Policy, the Council on International Economic Policy, and the National Security Council, under the leadership of Secretary Shultz, Peter Flanigan, and Secretary Kissinger, respectively. Their work is supplemented by the National Advisory Council on International Monetary and Financial Policies, and a dozen other coordinating mechanisms which are detailed in a document which Secretary Shultz submitted to the Senate Finance Committee on February 18, 1974, and perhaps you will want this document as part of your record.

In any event, I submit it as an appendix to my longer statement.

As it works, in these White House coordinating committees, all relevant agencies are represented. Problems are identified. Assignments are made and studied. Points of view are thrashed out. Policies are agreed or differences are referred to the President for decision. Implementation responsibility is assigned and progress is reported back.

In general, it is my feeling that this mechanism, this arrangement, works in a satisfactory and effective way.

CRUCIAL ACTIVITY OF FOREIGN SERVICE ABROAD

So far, I have spoken only about the economic role of the Department at home. I do not want to get into great detail, but I do not want to ignore the crucial activity of the Foreign Service abroad with which I know you are very familiar. In all of our 255 posts abroad there are officers who have special responsibilities for economic and commercial matters. They provide a wide variety of agencies in Washington with reporting on what happens abroad.

Foreign Service officers abroad are usually our chief economic negotiators with foreign governments. The Foreign Service also performs an economic function for U.S. business. It is a key element in the Government's continuing effort to protect U.S. investment abroad and to expand exports.

Commercial attachés and economic/commercial officers investigate export opportunities and report them to Washington, obtain information on local business firms, and attempt to assure that U.S. business interests have access to host governments and are treated by host governments without discrimination and in accordance with international law.

SUPPLEMENTARY PAPER

Senator, I have submitted a supplementary paper, which seeks to set out how decisionmaking of this Government has been working in the specific areas of trade, monetary policy, and financial institutions.

I think that my longer statement will provide a basis in the record for the scope of questions that you asked me to address. I will be pleased to answer any questions you may have.

[Mr. Casey's prepared statement and appendixes follow:]

PREPARED STATEMENT OF THE HONORABLE WILLIAM J. CASEY, UNDER SECRETARY
OF STATE FOR ECONOMIC AFFAIRS

Mr. Chairman and Members of the Committee: I am pleased to be here this afternoon to provide you with information relevant to your action on the State Department budget for Fiscal Year 1975. I understand you would like me to discuss: the Department's economic interests and activities, how it functions in the economic sphere, the role of the post, which I have been the first to hold since you created it in earlier authorizing legislation, that of Under Secretary of State for Economic Affairs, and the process of decision-making on international economic matters in the Government as a whole.

That is a rather broad territory. I shall try to paint the general picture as quickly as possible and leave it to your questions to fill in those details on which you would like further information.

There are two aspects of foreign economic policy. One involves the direct economic objectives we seek. The other involves the economic aspects of our political and security objectives. In the conduct of our foreign policy we seek to develop mutual advantages which can flow from the exchange of goods, technology and investment. We seek these advantages in a manner which will not sour our political relationships or undermine our security objectives. On the contrary, the development of solid economic interdependence can strengthen political and security relationships with both allies and adversaries while neglect of the economic aspects of a security and political relationship can cause it to erode. In our offset negotiations and weapon sales, in our development policy, in our concern for U.S. investment and business operations throughout the world we get daily reminders of this economic dimension in our political and security relationships. We have seen how balance of payments drains and energy embargoes can undermine security and create political friction. We have seen trade and money problems sour political relations. We have come to view the building of economic relations as a way to reduce political tensions and scale down the arms race with the Soviet Union.

Thus, I would say that in economic policy, the State Department has these closely inter-woven tasks:

(1) To keep the United States on solid ground in its balance of payments and in its trade, investment and development relationships with the rest of the world.

(2) To maintain and improve a world economic order which facilitates the flow of goods, investment and technology in a manner which will produce the greatest mutual benefit, foster cooperation in meeting common problems of inflation, poverty and pollution and minimize political frictions.

(3) To work for a proper balance between domestic and foreign economic objectives and between economic, political and security aspects of our foreign policy.

Let me try briefly to sketch how we approach and what we have done on each of these tasks.

You will recall that it was only a year ago that we were looking at a trade deficit exceeding \$6 billion for the previous year, a \$10 billion deficit in our balance of payments and intermittent periods of intense monetary disorder in which the dollar had fallen by as much as 12.7 percent on a trade weighted basis with our major trading partners. As we stand today, we can look at a surplus in both our trade balance and our payments balance for last year and the dollar has recovered 6.9 of the 12.7 percent it lost in value—more than half. The dollar is once again among the strong currencies of the world. This is the result of some tough decisions and a lot of hard work. The devalued dollar made our goods once again competitive in world trade. We put millions of acres of agricultural land back into production and the combination of increased farm production and higher farm prices was by itself enough to wipe out the 1972 trade deficit as our export of agricultural products was increased by \$8 billion. Our oil bill increased by \$3.25 billion but we were able to meet that by increasing our exports of high technology goods by \$3.5 billion. Dividends and related receipts from our invest-

ments and the application of our technology and managerial skills abroad increased by some \$3 billion.

It will take more hard work to maintain the positive trade balance we achieved in 1973. The quadruplicating of the price of crude oil will place a heavy drain on our balance of payments. To meet this, the combined efforts of State, Commerce, and the President's new Export Expansion Committee to identify export markets abroad, to make American firms more export minded, and to assist American companies to sell abroad will have to be intensified as will the efforts of the Export-Import Bank to finance exports. In particular, the sharp tilt of money flows towards the oil producing countries makes it vital that State be geared to follow through on the initiative of Secretary Kissinger in establishing the Energy Action Group. We need to go all out to help American companies participate in diversifying the economies of the oil producing nations and to attract their investment in applying the experience and technology which we have in the United States to energy resources here and abroad. The State Department will participate in these critical undertakings through its embassies abroad, its Office of Commercial Affairs and Business Activities, and its Bureau of International Scientific and Technological Affairs.

What kind of an economic world do we want? First we want a world trading system as free of barriers as possible governed by rules which promote cooperation and minimize restrictive practices. Second, we want a financial and monetary system which has flexible strength and stability so that the economies of the world can face the future with confidence. Third, we believe that the United States, with its rich and diversified economy and skills, can provide its people with a better life if we play an active role as a full member of a sound international economic system. That means fostering the free flow of capital, technology, experience and skills as well as trade. Fourth, we consider that economic progress for the less-developed countries is essential not only for the welfare of their people but also for the sound functioning of the world society, in the political as well as the economic sense.

To implement these policies the United States has been striving for certain specific objectives in the international economic field.

The Trade Reform Act of 1973 was developed and proposed. It is now before the Senate. Secretary Kissinger testified on it on Thursday last week. This legislation is necessary if we are to reduce trade barriers, protect ourselves and the world economy from restrictive trade policies, which drastically higher oil prices may make tempting to some countries and establish safeguards against the impact of sharp shifts in trade and technology on workers and firms. At the same time we hope to examine the more general question of the rights and obligations of both consuming and producing countries with respect to scarce resources. Past trade negotiations largely have been concerned with access to markets rather than access to vital raw materials. Existing international trading rules deal inadequately with the conditions governing such access. In the trade negotiations we have the opportunity to look at this issue in greater depth and to examine the need for bringing export measures, like import measures, under similar forms of international discipline.

In monetary affairs the United States has been a leader in proposals for reform and has steadily advanced its point of view. The world's currencies are floating and there is considerable uncertainty about the future, as a result of the oil price increases of December. But our goal of a flexible but sound and agreed monetary system remains vitally important.

International investment should occur with the least possible interference from governments, we believe. We have steadily pursued this view and it has gained support from international business and many governments during the year. Our objective is an understanding among major developed countries on basic ground rules possibly reached under the auspices of the OECD. We have been able to eliminate the restrictions on the export of capital from the United States which for over 10 years had restricted the application of our financial skill and experience to economic progress throughout the world. We have made important progress in resolving some investment disputes which had impeded the flow of capital, technology and managerial skill to less-developed parts of the world and Secretary Kissinger in Mexico City two weeks ago proposed a fact-finding approach to investment disputes which can lead to a better investment climate throughout the world.

Improvement in the lot of less developed countries is sought through our AID program, through our contributions and participation in the work of the

World Bank and other international financial institutions, and through the authority in Title V of the Trade Reform Act, to extend trade preferences to less developed countries. We also work closely with other developed countries to seek to maximize trade, technology, capital and assistance flows for the less-developed countries.

Serious world problems have arisen in the past year in food and energy, and to some extent in raw materials as well. We all know of the voracious world demand for grains and soybeans which so preoccupied us last summer, and which still does. And we are all familiar with the main events of the energy crisis—the October war, the oil embargo, and the price increases of last December, with their heavy impact on consumer countries. What has been the U.S. reaction to these major events in international economic relations?

We have monitored closely the supply demand position in U.S. grains and soybeans, counseling moderation and patience while steps were taken to increase production. The crop results for 1974 should be the best possible contribution to solving the food problem.

We have contributed large quantities of food supplies to countries in the grip of drought and famine, maintaining our humanitarian tradition.

We have proposed a World Food Conference, now to be held in November this year, to examine the supply-demand balance and to pool the world's knowledge and skills in solving problems of basic nutrition. As yet no one knows whether mankind is on the edge of a prolonged period of short supplies, or whether we are confronted by a situation of limited duration.

In energy matters we have sought to expand supply, restrain demand, promote research and development, stimulate cooperation among consuming countries, and foster improved relations between oil consumers and producers.

Here we know that we are confronted with a problem of some duration which will not be quickly solved. But progress is being made: Our Washington Energy Conference was a sound beginning, and the work done in months past in the OECD can provide a good base for consumer cooperation. Our diplomacy is active in dealing with producing countries. Our domestic programs for greater self-sufficiency in energy are reassuring to other consuming countries as well as essential for us.

A major international economic problem has however been created by the great increase in oil prices. The United States will of course have to spend more for imported oil but we do have very large domestic supplies. Europe and Japan do not have their own supplies, are hard hit by the price increases and will see their balance of trade and balance of payments endangered in the coming years. Great accumulations of money in the hands of oil producing countries will be more than their economies can readily absorb. They will want the value of their money maintained, and they will seek profitable outlets for it, to which the industrial countries should respond with imagination and will. The oil producing countries will also want investments in the world and industries for their own territory which will sustain them in future generations when their oil is depleted. The United States must build a mutually profitable and understanding relationship with these countries. This whole complex of problems—energy supply and consumption, capital accumulation, investment to expand supply of oil and energy from other sources, trade barriers, payments balances, and the devastating effect on less-developed countries which do not have any oil—must be dealt with as a matter of priority in our international economic relations. Otherwise the very fabric of international economic life, and of political relations as well, can well be endangered.

This complex of problems in food and energy has been accompanied by some shortages in industrial raw materials, and to some extent in finished goods, because all economies in the world were in high gear in 1973. As we look ahead we see that in ten years, we will be primarily dependent on imports for 9 of the 13 basic raw materials including 3 major ones: bauxite, iron ore and tin. Four countries supply most of the world's tin trade, 3 countries account for 60% of lead exports, two countries have over half of the world's nickel reserves. Peru supplies most of the fish meal entering into world trade.

Rising prices and frequent shortages of lumber and newsprint will come from the fact that the earth is gradually being deforested. Pressure on food supplies and the need to put more land into crops comes from the fact that the oceans are being fished out. Mutual restraints are needed here. Shortages of natural fibers, cotton and wool are compounded by the fact that rising prices for petroleum will restrict substitutions by man-made fibers.

Suddenly, the objective of trade policy has shifted from protecting markets to protecting resources, from securing access to foreign markets to getting access to supplies. Countries limit exports to cope better with inflationary pressures at home, to extend the foreign exchange earning power of non-renewable resources, to increase the share of indigenous processing and the contribution it makes to employment and foreign exchange earnings and to improve export prices. In the hope of securing access to foreign resources, advanced nations are building refineries in oil producing countries and metal processing and alloy plants in countries which have chrome ore and other scarce mineral resources.

Shortages in energy and labor together with fear of pollution will move whole industries to places where those problems can be overcome. Germany and Japan have adopted a conscious policy of moving industry abroad. Less-developed countries can get their resources developed and develop jobs for their unemployed by attracting these industries. Korea, Taiwan and Brazil have been very successful at this. Malaysia, Indonesia and others are following. The Soviet Union seeks to attract capital and technology with its cheap energy and its forest, metal and hydrocarbon resources.

These emerging trends make it essential to our security as well as our political and economic future that we keep alive and healthy, flexible and attuned to changing economic reality all our instruments of international economic action—diplomacy and commercial intelligence and representation, trade and monetary policy, the channels for two-way investment and technology transfer such as multinational enterprises and official development institutions.

In the State Department, we have specialized offices for international resources and food policy and for international finance and development as well as the geographic bureaus focusing on these problems. We have an office of East-West Trade and a science and technology unit working to protect our security and economic interests as we try to develop trade and build a structure of peace by establishing economic links with communist countries.

It is fair to ask whether our raw material, food and energy problems invalidate the means we have chosen to seek the goals we have set for expanded world trade, investment governed by economic incentive, development of the poorer nations, a sound monetary system, and prosperity for the United States economy, or whether some different techniques are necessary to move toward our goals. To us the recent dislocation in trade and finance demonstrate only too clearly that we must intensify our efforts toward a cooperative trading and monetary world, because the problems are so great that no nation can begin to solve them on its own. Growing interdependence drives us toward common solutions, and these solutions must make good economic sense if we are to have good international relations.

Let me now turn to how the State Department is organized to carry out its two-fold economic mission—achieving direct economic objectives and assuring that economic considerations are taken into account in achieving political and security objectives. The principal official responsible for carrying out the Department's economic role is the Under Secretary for Economic Affairs. He performs this function through his overall supervision of economic and commercial activities within the Department, his responsibility for relations with other U.S. Government agencies concerned with economic and commercial matters, and his contacts with officials of foreign governments and international institutions.

Within the Department the focus of country expertise is in the geographic bureaus. The country desks and, on a regional basis, the geographic bureaus under Assistant Secretaries bring together knowledge of the political, economic, security, and cultural characteristics of a particular country or area and how the overall interests of the U.S. relates to each. It is here at the working level where a problem can initially be put in the full perspective that will assure that all facets of United States interests are taken into account. For many years it has often been charged that at this level economic considerations were given insufficient weight as opposed to considerations of politics and security. If this was ever true, it is no longer. Today the geographic bureaus are led and staffed by officers who have had a great deal of experience in economic and commercial affairs and are sensitive to how important these considerations are to the totality of our national interests.

The functional bureaus—those staffed by economic, commercial, scientific, and other specialists—perform a two-fold function in support of the Secretary, his Deputy and Under Secretaries and the geographic bureaus. They provide special

expertise in depth and they relate to the other agencies of government concerned with economic policy. They are the experts in such areas as trade and monetary policy, transportation, communications, science, and technology. Equally important, however, they have a "line" role of their own. On issues with a global rather than country or regional impact—such as multilateral trade negotiations or international monetary reform—they have action responsibility. However, their decisions on these global matters by definition affect the country relations for which their geographic bureau colleagues are responsible. In the same way that the substantively broad but geographically limited country desks must draw on the special knowledge of the functional bureaus, the functional bureaus in their global responsibilities must take account of the effect of their decisions on our relations with any particular country or area.

Of particular importance is the Bureau of Economic and Business Affairs. It is headed by an Assistant Secretary, who has five Deputies. These Deputies are concerned respectively with trade, money and finance, commodity problems including energy, transport and communications, and business affairs and commercial promotion. Each of these sections is divided into smaller units which deal with specific aspects of the area as a whole. Thus for example we have an Office of East-West Trade which is concerned with the framework of our trade relations with non-market economies. We have an Office of Investment Affairs, which deals with investment policy, problems of expropriation and dispute settlement. We have an Office of Aviation which handles negotiations with other countries on air agreements, and we have an Office of Telecommunications which is heavily engaged in many vital but not always spectacular communications problems. Our Office of Business Practices, within our commercial affairs area, has important duties in connection with the protection of U.S. intellectual property rights, such as patents, trademarks, and copyrights. Our Office of Business Relations is extremely active in directing the work, with the support of the Commerce Department, of promoting U.S. exports through the activities of our Embassies abroad. These are but examples of the kinds of work in which the Department engages. I am sure the Committee is familiar with the general structure of the Department and its Offices, but I think it worth emphasizing that the Department needs this professional and technical expertise if it is to play its proper role in the conduct of our international relations.

One of the principal functions of the Under Secretary for Economic Affairs is to assure that with regard to economic matters the bridge between the functional and geographic bureaus is kept strong. The Under Secretary for Political Affairs assures that all U.S. interests are taken into account in reaching decisions on political matters. The Under Secretary for Economic Affairs does the same in reaching decisions on economic matters. This often is not easy, for the interests of the United States, like the country itself, are diverse and numerous; they sometimes appear irreconcilable. At times resolution cannot be achieved at the bureau level. These are the instances in which resolution at the Under Secretary level is called for.

The Under Secretary for Economic Affairs performs another important function within the Department. We try to be as imaginative as possible in trying to develop initiatives to problems which do not yield to old solutions. Some of these initiatives are fully agreed to by all of the bureaus concerned. However, because the proposed departures from past practice are sometimes large enough to give rise to the possibility that new problems could be created to replace the old, review and final decisions are left to a senior official of the Department. On economic matters of this kind, the Under Secretary for Economic Affairs has this responsibility.

The third area of activity of the Under Secretary of State Government in dealing with foreign governments and international institutions. He is, for example, the Alternate U.S. Governor of the Inter-American Development Bank, the International Bank of Reconstruction and Development and the Asian Development Bank. Much of our foreign policy deals with the developing world for which these institutions play such an important role, and the position of the United States in them must take account of the overall interests that we have in this part of the world.

The Department also participates in other regular negotiations on economic issues. The United States and the Commission of the European Community meet twice a year for two-day reviews of economic matters of importance to them. There are similar meetings with the Japanese and, less regularly, with other countries. On a multilateral basis, meetings are held under the auspices of the OECD, GATT and other international institutions. At times the U.S. delegation to these meetings consists of working level officials. At other times,

however, the consultations involve matters of sufficient importance for leadership at a higher level. The Under Secretary of State for Economic Affairs, for example, regularly heads the U.S. delegation to the consultative meetings with the European Community.

Finally, the Under Secretary for Economic Affairs carries responsibility for identifying and working out within the established framework the continuing conflicts between domestic and foreign policy objectives and between political, security and economic aspects of our foreign policy.

Most of the economic problems dealt with by the Department of State are also of concern to other agencies of the Government. As part of our responsibility in U.S. foreign policy we are concerned with international monetary negotiations, programs to improve our balance of payments, the protection of United States investment abroad, export financing, and development assistance policy. So is the Treasury Department. We are concerned with international trade, foreign investment, strategic materials and supplies, intellectual property, marine sciences, and export expansion programs. So is the Commerce Department. We are concerned with the sale of United States agricultural commodities (including concessional sales), U.S. participation in commodity agreements and consultative groups. So is the Agriculture Department. Our foreign policy responsibilities lead us to share with the Interior Department an interest in stockpile disposal policy and tariffs on metals and minerals, with AID an interest in our bilateral economic assistance programs, with the Labor Department an interest in textile policy and adjustment assistance, with the Civil Aeronautics Board an interest in air route agreements, and with the Federal Maritime Commission an interest in shipping policy. We work closely with the Office of the Special Representative for Trade Negotiations in our multilateral trade program. We have increasing mutual interests with the Federal Energy Office in an area of economic policy of growing concern.

The task of coordination, both substantively and bureaucratically, is difficult. There is no simple answer. Domestic policy will always have its international ramifications and vice versa. Every government in the world has its Foreign Office, its Finance Ministry, its Agriculture Ministry, its Commerce Ministry, its Energy Ministry. Every government struggles with the task of coordinating these objectives and functions. If the coordinating agency gets too big, the coordinating problems merely rise to that level. If an effort is made to duck the coordinating problem by creating a Foreign Trade or a Foreign Economics Ministry, you merely denude State, Treasury, Agriculture and Commerce of outward looking international affairs staffs and narrow their outlook. You reduce the capacity of each department to identify and weigh international implications in its operation and you create one more body to be coordinated at the White House level.

It is my opinion that we have the right basic structure now for carrying out a foreign economic policy in the major Cabinet Departments plus a coordinating machinery in the White House. What needs to be done is to streamline and improve this structure and make it work better.

The State Department has the responsibility for knowing and keeping in touch with the world. It has the institutionalized historical memory and practice and responsibility in dealing with problems which either arise or are created abroad. On matters involving money, agriculture, trade, and investment it needs the support and concurrence of those having specialized expertise and responsibility. Where there is a clash between a domestic interest and a foreign policy interest or between the judgment of those with a specialized concern and those concerned with the broad impact of a particular policy abroad, that conflict has to be thrashed out at the White House level. Over the years that purpose has been served by a coordinator, by the National Security Council and by the Council for International Economic Policy. Whatever its form this body has to see that there is a coherent policy giving proper weight to domestic policy and to economic, political and security aspects of foreign policy, it has to referee disputes, get Presidential decisions when needed and see that they are implemented.

Today, this is accomplished through the Council on Economic Policy, the Council on International Economic Policy, the National Security Council, under the leadership of Secretary Shultz, Peter Flanigan, and Secretary Kissinger, respectively. Their work is supplemented by the National Advisory Council on International Monetary and Financial Policies, and a dozen other coordinating mechanisms which are detailed in a document entitled "Executive Branch Or-

ganization for International Economic Policy" which was submitted to the Senate Finance Committee by Secretary Shultz on Feb. 18, 1974.

In these coordinating committees, all relevant agencies are represented. Problems are identified. Assignments are made. Points of view are thrashed out. Policies are agreed or differences are referred to the President for decision. Implementation responsibility is assigned and progress is reported back.

There is no magic formula for making this machinery work. It's a matter of leadership, spirit and effort. There is an immense amount of communication and collaboration between the departments of government on both an ad hoc and a formal basis. It is carried out through spot meetings and dozens of working groups established by NSC, CIEP and CEP. It is done whenever two Departments resolve that they should tackle a problem together. It is done through regular meetings to review current problems as in the quarterly meetings at the top-level of Commerce and State to develop new initiatives and resolve problems in the common export expansion effort in which State carries primary responsibility overseas while Commerce operates trade centers and works domestically to make American firms more export minded. It happens in preparations for and during the twice a year two-day reviews of U.S.-European economic issues between the U.S. and the European Community. There is a similar exercise with Japan and less regular bilateral meetings with other countries. In these meetings, in multilateral meetings under the auspices of the OECD, GATT and other bodies and in bilateral negotiations, relevant departments are represented on U.S. delegations and negotiating teams.

I am submitting for the record a statement on how this decisionmaking process operates, as we see it, in trade, monetary matters and financial matters.

So far I have spoken only about the economic role of the State Department at home. I don't want to ignore the crucial activities of the Foreign Service abroad. As you know, the State Department is charged with administering the Foreign Service, but the Foreign Service is not solely an arm of the State Department. It is in all respects the Foreign Service of the United States. It serves all U.S. Government agencies which have an interest in our foreign relations.

In all of our 255 posts abroad there are officers who have special responsibilities for economic and commercial matters. They provide a wide variety of agencies in Washington with reporting on the local economic scene. These reports range from submission of statistical information on such matters as mineral production or telecommunications facilities to detailed analyses of economic developments which we here in Washington must have if we are able to make sound policy judgments. For many years we have had established a Comprehensive Economic Reporting Program which provides each post with a schedule of the regular reporting requirements needed by all interested agencies in Washington. A particular post, for example, might be required by its Comprehensive Economic Reporting Program to submit a report on labor developments every six months in order to meet the needs of the Departments of Labor and Commerce, a report on the balance of payments situation in the host country every quarter in order to meet the needs of the Treasury Department, or a report on general economic developments every month to meet the requirements of the Department of State. Smaller posts might submit no more than 20 or 30 reports a year. Larger posts sometimes have reporting requirements running into the hundreds. These required reports, incidentally, do not include the "alert" reporting which comprises the bulk of any post's economic reporting activities. "Alert" reports result from the post's own initiative. They are the means by which we in Washington are informed of new developments and unexpected turns abroad. The volume of these kinds of economic reports from large posts often runs into the thousands every year.

Foreign Service officers abroad are usually our chief economic negotiators with foreign governments. The high level and dramatic negotiations that take place concerning matters of very great importance—those which are usually publicized—are done by high level officials or special missions. The bulk of our economic negotiations with foreign governments, however, deals with subjects which, while of lesser importance, still are necessary to serve the totality of U.S. interests. These negotiations are generally handled by our posts abroad.

The Foreign Service also performs an economic function for United States business. It is a key element in the government's continuing effort to protect economic/commercial officers investigate export opportunities and report them to Washington, obtain information on local business firms, and attempt to assure that U.S. business interests are treated by host governments without discrimination. U.S. investment abroad and to expand exports. Commercial attaches and eco-

tion and in accordance with international law. All Ambassadors and their staffs have been made aware of the importance of commercial activities. They are uniquely able to relate this element of the foreign interests of the United States to the other elements with which they must deal. We have specialized economic/commercial officers at posts abroad but we try to sensitize political officers and indeed the entire embassy to identify economic needs and opportunities to support American economic interests. In this way we get the most effective performance in carrying out the commercial tasks that we share with the Commerce Department.

I will be pleased to answer any questions you may have.

APPENDIX I

INTERNATIONAL TRADE, MONETARY AND FINANCIAL POLICY

THE DECISIONMAKING PROCESS

[Submitted by Department of State]

TRADE POLICY

Trade policy decisionmaking can be divided into formulation and implementation. The formulation of international trade policy as is the case with all foreign policy takes place in high level, interagency councils in the Executive Office of the President. This reflects the constitutional principle that the conduct of foreign policy is primarily the responsibility of the President. Congress, of course, plays a particular role in the formulation of foreign trade policy—as we are presently witnessing in connection with the current hearings on the Trade Reform Act. Trade matters are dealt with by the Council on International Economic Policy (CIEP), the Office of the Special Representative for Trade Negotiations (STR) and committees associated with STR, and the East-West Trade Policy Committee.

In implementing trade policy State coordinates directly with several other agencies including, principally, Treasury, Commerce, Agriculture, and to a lesser degree Labor, Interior and Defense.

The Department of State recognizes that foreign trade policy is an important aspect of our domestic economic policy as well as an equally important aspect of our overall foreign policy. The Department in its participation in these interagency groups seeks to provide a special contribution: First, State's specific function in the decisionmaking process is to relate other foreign policy considerations to trade objectives and vice versa. Foreign policy encompasses the sum of our relations with other countries. Developing a foreign policy entails balancing various policy considerations in such a way that the totality is most beneficial to our broad national interest. Secondly, State representatives in these groups are able to contribute their considerable practical experience in dealing with the representatives of foreign governments. Finally, State has over the past several years created within the Foreign Service a cadre of officers who have been given advanced training in economics and commercial relations, and who can act as a bridge between the strictly commercial and the broad foreign policy aspects of a given trade problem. These officers are thus able to provide a special dimension to interagency discussions.

I would like to sketch briefly how State fits into the executive branch's organization for dealing with international trade problems. I would emphasize that on any given problem we can, and frequently do, maintain direct contacts with personnel in other agencies from the working level right up to the top depending on the importance of the problem involved. As a general rule the agencies try to resolve problems on the working level whenever possible.

COUNCIL OF INTERNATIONAL ECONOMIC POLICY (CIEP)

CIEP, established by the President in 1971, is a cabinet-level committee whose members consist of the Secretaries of State, Treasury, Defense, Agriculture, Commerce and Labor, the Director of the Office of Management and Budget, Chairman of the Council of Economic Advisers and the Special Representative for Trade Negotiations (STR). The CIEP has its own Secretariat which serves as a presidential staff whose functions are to provide a supra-departmental focus for international economic policy issues; coordinate economic issues among departments; and assure consistency between economic and other foreign policy objectives.

In February 1973 the President, in reorganizing the Executive Office of the President, established a Council on Economic Policy (CEP). CEP is chaired by the Secretary of the Treasury who also acts as an assistant to the President and, in this role, is the focal point and coordinator for all economic policy within the Executive Branch. CIEP has been subsumed into CEP, but CIEP's structure is unchanged and responsibility for international economic policy input to CEP.

State contributes to the analysis of all international economic issues under CIEP's purview. Examples of this include: continuing U.S. trade talks with Japan, Canada and the enlarged European Community; new trade links with the USSR and Eastern Europe; economic relationships with Canada; the preparation of general trade, investment and monetary policy options; and the examination of the problems involved in the transfer of U.S. technology abroad. More specialized policy studies have included several aviation agreements, commodity agreements on coffee and cocoa, and the sale of aircraft to the People's Republic of China.

OFFICE OF THE SPECIAL REPRESENTATIVE FOR TRADE NEGOTIATIONS (STR)

STR is responsible generally for the supervision and coordination of the U.S. trade agreements program. In particular, it is responsible for the direction of U.S. participation in multilateral trade negotiations. As coordinator for trade relations and adviser to the President on trade matters, STR exercises its role through the following interagency mechanisms:

Trade Expansion Act Advisory Committee (TEAAC) is a Cabinet level trade policy committee chaired by the Special Trade Representative. The TEAAC rarely meets.

Trade Executive Committee (TEC) is chaired by a Deputy Special Trade Representative at the Assistant Secretary level. It was established to give policy direction to subordinate working-level committees and to receive recommendations and trade information from them. The TEC meets infrequently and usually only to consider major issues. Its place has largely been taken by informal steering groups, with similar membership.

EAST-WEST TRADE POLICY COMMITTEE

On March 6, 1973, the President designated the Chairman of the Council on Economic Policy, George Shultz, to be Chairman of a new East-West Policy Committee. The Secretary of State was named a member. In practice, I have attended meetings of the Committee. Secretary Shultz was also named Chairman of the *US-USSR Commercial Commission*.

Under the Committee, a *Working Group* has been formed under the chairmanship of the Deputy Under Secretary of the Treasury. Assistant Secretary Armstrong and Deputy Assistant Secretary Armitage have generally attended meetings of the Working Group.

In the implementation of foreign trade policy State cooperates most frequently with Treasury, Commerce, Agriculture and to a lesser degree with Labor, Interior, and Defense.

TREASURY

State's contact with Treasury occurs at all levels, and the two Departments participate in 24 interagency committees with major policy roles. Most of these contacts involve financial problems. However, Treasury maintains a great interest in trade problems which have balance of payments implications. In addition Treasury has statutory responsibilities with respect to countervailing duties and anti-dumping.

COMMERCE

State and Commerce have overlapping policy interests in the fields of international trade, investment, travel, strategic materials, intellectual property, product standards, marine transport, telecommunications, ocean affairs and atmospheric and marine science. In addition to these common policy interests State and Commerce conduct joint operations abroad and rely upon each other for support. The Foreign Service carries out trade promotion programs which are largely Commerce designed and shares with Commerce the staffing of trade centers. State and Commerce frequently form *ad hoc* Working Groups to deal with specific economic and commercial problems.

AGRICULTURE (USDA)

State and USDA have inter-related authority and responsibility for trade policies and programs promoting the sale of U.S. agricultural commodities; U.S. representation in international bodies and conferences dealing with agricultural matters; administration of U.S. laws and regulations affecting agricultural trade; and concessionary sales of agricultural products abroad. State has extensive contacts with USDA, and participates with USDA on 15 major interagency committees. USDA has over a hundred employees assigned to agricultural attache offices in U.S. missions abroad.

MONETARY POLICY

The Treasury Department has primary jurisdiction over the monetary reform issues although this responsibility is shared by the Department of State, the CIEP, the CEA and Federal Reserve Board. Representatives to the C-20 meetings are headed by the Treasury Department with the Federal Reserve acting as alternate as required. State has an advisor role.

Positions are generally worked out informally within the framework of an *ad hoc* group headed by Treasury Under Secretary Paul Volcker and including representation from various divisions of the Treasury Department, Department of State, U.S. Executive Director to the IMF, Federal Reserve Board, the Council of Economical Advisors and the CIEP. This group examines proposals of other governments submitted to the C-20, papers of the C-20 bureau and papers prepared within the USG in response to U.S. policy requirements. Once positions are articulated in this group and various options sifted out, they are referred to a "meeting of principals" which occurs generally once or twice before each C-20 meeting. The principals consist of the Secretary of Treasury, Federal Reserve Board Chairman, Under Secretary of the Treasury, Under Secretary of State for Economic Affairs, Peter Flanigan, Assistant to the President. The position and tactics followed by the U.S. are decided upon in this forum. By virtue of the representation in the Volcker Group and in the Principals Group both domestic and foreign policy aspects of monetary reform are given full airing.

FINANCIAL POLICY

A. *International financial institutions.*

The State Department's foreign policy input into formulation of U.S. policy concerning (a) the international financial institutions (IFIs), (b) IMF stand-by agreements, and (c) Export-Import Bank issues is to a major degree accomplished through the interagency coordinating mechanism of the National Advisory Council on International Monetary and Financial Policies (NAC). The NAC, which is chaired by Treasury, includes, besides State, the Federal Reserve Board, Commerce, and the Export-Import Bank. Each loan granted and all major policies of the international financial institutions are review by the NAC, and the U.S. Executive Directors at IFIs are instructed as a result of this review. In addition, the NAC advises Eximbank on general policy questions and reviews specific loans to ensure that they conform to these policies.

State also advises Eximbank bilaterally on political and economic conditions in particular foreign countries and on the relation of specific loan requests to our overall foreign policy interests. State's role in IMF stand-by agreements is also determined by (a) our central responsibility within the USG for development of U.S. policy toward debt rescheduling negotiations, with which stand-by agreements are frequently connected; (b) USG level of development assistance; and (c) overseas investment, trade and other relevant economic questions. Finally, the Department also has important bilateral contacts with directors and staffs of the IFIs, reflecting our foreign policy interest in development policy and debt rescheduling.

B. *Overseas Private Investment Corporation*

OPIC is under the policy guidance of the Secretary of State. The Assistant Secretary of State for Economic and Business Affairs, who is a Director of OPIC, has primary responsibility for transmitting that guidance. The Under Secretary for Economic Affairs chairs what will be an annual CIEP Operations Group review of the full range of OPIC's purposes and activities. The Group has just completed the first such review.

On the staff level, the Director of the Office of Investment Affairs, after consultation with concerned desks and functional officers, approves outgoing OPIC instructions to our posts abroad, in terms of their foreign policy significance and their implications for overall U.S. investment policy. That office, country desks, and the Embassies review and approve each application for insurance.

APPENDIX II

93d Congress }
2d Session }

COMMITTEE PRINT

EXECUTIVE BRANCH ORGANIZATION
FOR INTERNATIONAL ECONOMIC
POLICY

COMMITTEE ON FINANCE
UNITED STATES SENATE
RUSSELL B. LONG, *Chairman*

Material submitted by the Secretary of the Treasury—Prepared by
Council on International Economic Policy (CIEP) and Office of
Management and Budget (OMB), in response to a Committee on
Finance request



FEBRUARY 18, 1974

Printed for the use of the Committee on Finance

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(II)

PREFACE

On July 3, 1973 the Chairman of the Finance Committee requested several background documents for Committee use in its consideration of the Trade Reform Act. In his request, the Chairman asked Secretary Shultz for a document describing the responsibilities of each of the 57 or so Executive agencies in the foreign economic policy area and how these responsibilities are currently coordinated through interagency committees and by the Council on International Economic Policy.

A response to this request came in a letter dated January 30, 1974 from Secretary Shultz which contained, as one of the background documents, the information in this report.

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INTERNATIONAL ECONOMIC POLICY FORMATION AND THE CIEP

Introduction

The fundamental economic policy decisions of the U.S. Government—domestic as well as international—are made by the President, advised by his Cabinet-level Council on Economic Policy (CEP). For policy formation in the *international* field, the CEP, in turn, relies upon another and more specialized Cabinet-level group, the Council on *International* Economic Policy (CIEP). The President has named Secretary of the Treasury George Shultz as Chairman of both CEP and CIEP, in recognition of the close links between domestic and international economic activity.

On international economic matters, the President and the CEP are served by the CIEP staff under its Executive Director, the Assistant to the President for International Economic Affairs, Peter M. Flanigan. CIEP's functions in coordinating the activities of the many Executive Branch departments and agencies with international economic responsibilities are outlined below, together with the other key inter-agency mechanisms. An Appendix provides more detailed descriptions of the roles which individual departments, agencies and other specialized offices play in our economic relations abroad.

Council on International Economic Policy

In late 1970, to improve the coordination of Government agencies with responsibilities in the field of foreign economic affairs, the Advisory Council on Executive Organization recommended the creation of a Council on International Economic Policy (CIEP) as a part of the Executive Office of the President. The President accepted this recommendation and established the CIEP by memorandum dated January 19, 1971. The Congress first authorized the CIEP in *Public Law, 92-412 of August 29, 1972*, and granted further authorization in *Public Law 93-121 of October 4, 1973*. In authorizing the CIEP, the Congress recognized that the formulation and execution of U.S. international economic policy is a composite of the actions of numerous departments and agencies.

The Council and its staff are designed to achieve a clear, top-level focus on the broad range of international economic issues. CIEP seeks to ensure that all factors affecting international economic policy are fully considered and that policy decisions are based on realistic assessments of U.S. foreign economic interests.

(1)

The Council itself is currently chaired by the Secretary of the Treasury and is composed of key Cabinet-level and Executive Office officials:

Chairman, George P. Shultz.

Member, Dr. Henry A. Kissinger, The Secretary of State.

Member, James R. Schlesinger, The Secretary of Defense.

Member, Earl L. Butz, The Secretary of Agriculture.

Member, Frederick B. Dent, The Secretary of Commerce.

Member, Peter J. Brennan, The Secretary of Labor.

Member, Claude S. Brinegar, The Secretary of Transportation.

Member, Roy L. Ash, The Director of the Office of Management and Budget.

Member, Herbert Stein, The Chairman of the Council of Economic Advisers.

Member, William D. Eberle, The Special Representative for Trade Negotiations.

Member, Peter M. Flanigan, Executive Director, CIEP.

The Council is served by a small staff under the management of its Executive Director. The staff does not itself undertake major research projects. Rather, it is used by the Council and its Executive Director—as well as by the CEP—to coordinate the efforts of individual agencies and to synthesize the sometimes divergent policy recommendations forwarded by them.

While full Council meetings are held when necessary and appropriate, most of the Council's work is necessarily conducted by subcommittees. The subcommittees of the CIEP are: the Executive Committee, chaired by the Secretary of the Treasury Shultz; the Senior Review Group, chaired by the Executive Director; and the Operations Group, chaired by the Under Secretary of State for Economic Affairs. Attendance at meetings of these subcommittees is determined by the topics to be considered. In addition, the CIEP uses *ad hoc* inter-agency groups to handle specific problems and issues.

Foreign economic policy subjects dealt with by CIEP machinery have been many and diverse, ranging from trade relations with Canada, the People's Republic of China, the USSR, and the European Community, to matters such as meat import quotas, tariff rate actions on various items of interest to domestic producers, informal agreements on items such as textiles and specialty steels, and numerous other topics of importance to specific producer or consumer interests.

As an example of how the Council functions, one can cite monetary and trade negotiations. The Departments of Treasury, State, Commerce, and the Special Representative for Trade Negotiations all have particular areas of jurisdiction (see Appendix A), but none has complete coordination responsibility over the full range of monetary and trade matters. These issues are very closely intertwined and policy decisions with respect to one inevitably impact on the other. The Council provides a structured organizational mechanism by which the President can be provided an objective and comprehensive view of a problem, and can obtain the advice of the Council members in developing a strategy to deal with it. The CIEP structure also provides greater assurance that important interrelationships among different

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economic—and noneconomic—policy problems will be taken into account.

Finally, the CIEP staff prepares the International Economic Report of the President, which is presented annually to the Congress.

The Relationship Between the Council on International Economic Policy and the National Security Council

In his memorandum of January 19, 1971, establishing the Council on International Economic Policy, the President defined its relationship with the NSC in these terms: "One purpose of CIEP is to consider the international economic aspects of essentially foreign policy issues, such as foreign aid and defense, under the general policy guidance of the National Security Council.

"Where the Council's responsibility overlaps with that of the National Security Council, as in the case of foreign aid, which has implications for both national security and economic policy, the Council on International Economic Policy will operate within the general framework of national security policy developed by the NSC." In order to ensure close coordination where national security interests are involved, CIEP meetings considering such issues are attended by a representative of the NSC.

Economic "Troika" and "Quadriad"

Since the early 1960's the practice has been to have the Secretary of the Treasury, the Chairman of the Council of Economic Advisers, and the Director of the Bureau of the Budget (now the Office of Management and Budget) meet together and confer with the President on broad economic issues, domestic and foreign. This group became known as the "Troika." The Executive Director of the Council on International Economic Policy customarily attends all "Troika" meetings. From time to time the Chairman of the Board of Governors of the Federal Reserve System was invited to participate; the larger group is known as the "Quadriad."

The National Advisory Council on International Monetary and Financial Policies (NAC)

This Council was originally established by the Bretton Woods Agreement Act of 1946. It is presently organized under Executive Order No. 11269 of February 14, 1966. Membership includes the Secretary of the Treasury (Chairman), Secretary of State, Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the President of the Export-Import Bank. The Council on International Economic Policy participates in all NAC meetings. The NAC coordinates the policies and operations of the U.S. representatives to the several international financial institutions in which the U.S. has membership. These include the World Bank and the various regional international development banks. The NAC also coordinates policy of U.S. agencies, such as the Export-Import Bank, in the making of foreign loans, foreign financial exchanges, or money-

tary transactions. The NAC functions through an Alternates Committee and a NAC Staff Committee.

The "Volcker" Group

Another important, but informal, interagency coordinating mechanism is the "Volcker" Group, named after its Chairman, the Under Secretary of the Treasury for Monetary Affairs, Paul A. Volcker. The Council on International Economic Policy is a member of this group, along with representatives from the Department of State, the Council on Economic Policy, the Council of Economic Advisers, and the Board of Governors of the Federal Reserve System. This Group provides a forum for discussion and coordination of U.S. policy and negotiation strategies on the reform of the international monetary system, gold policy, Special Drawing Rights at the International Monetary Fund, and related monetary matters.

Interagency Trade Organization

The President's Special Representative for Trade Negotiations (STR) has the responsibility for conducting negotiations with our trading partners, under policy guidelines established by the CIEP system described above. In addition, he carries out certain inter-agency functions under the Trade Expansion Act of 1962, including the Chairmanship of the Trade Expansion Act Advisory Committee (TEAC), which is composed of the Secretaries of State, the Treasury, Defense, Interior, Agriculture, Commerce, and Labor. The STR recommends to the President basic policies arising from the administration of the trade agreements program. (See Executive Order No. 11075 of January 15, 1963, as amended.) Finally, the Special Representative has established (1) the Trade Executive Committee (TEC), chaired by his Deputy and composed of Assistant Secretaries of the departments represented in the TEAC, to plan and coordinate inter-agency activities in the trade agreements program. (2) the Trade Staff Committee (TSC), with staff members of these departments, to provide staff support for the TEC. and (3) the Trade Information Committee (TIC), composed of officials of those departments, to obtain information, by holding public hearings or otherwise, from interested parties regarding trade agreements.

Appendix

A. AGENCIES AND DEPARTMENTS WHICH HAVE RESPONSIBILITIES FOR FOREIGN ECONOMIC POLICY

This Appendix describes the 24 separate agencies having significant responsibilities in international economic affairs—six in the Executive Office of the President, eight executive departments, and ten other agencies. Some of these, in turn, comprehend several separate units with responsibilities for different aspects of foreign economic policy. For example, eight units inside the State Department and three inside the Commerce Department are referred to. Any enumeration of for-

eign economic policy agencies reaching the magnitude of 50 to 60 would have to count such subordinate units.

Agencies in the Executive Office of the President

The Council on International Economic Policy. Provides a top-level focus for the international economic policy issues arising within the Federal Government. Coordinates foreign economic policies with domestic issues and coordinates them with basic foreign policy objectives. Reports to Congress each year on international economic developments and policies through the International Economic Report of the President. (See above, pp. 1-5)

Office of the Special Representative for Trade Negotiations. Member of the Council on International Economic Policy. Supervises and coordinates the trade agreements program and directs U.S. participation in trade negotiations with other countries. All economic policies related to trade are review and recommendations made to the President.

Council of Economic Advisers. Member of the Council on International Economic Policy. Analyzes the U.S. economy and appraises the economic policies of the Federal Government. It recommends policies for economic growth and stability and assists in preparing the President's economic reports to the Congress. Foreign economic programs and policies are reviewed in relation to the national economy, and a section of the annual economic report to Congress traditionally deals with foreign economic policies and their effects.

The Office of Management and Budget. Member of the Council on Economic Policy. Assists the President in developing the program and budget of the Federal Government and in bringing about more efficient conduct of Government service. The costs of foreign economic policy proposals are analyzed and recommendations made on the plans for implementation.

National Security Council. Advises the President with respect to the integration of domestic, foreign, and military policies relating to national security. Foreign economic policies often are related to national security, and the NSC recommendations to the President often comprehend economic considerations and are therefore coordinated closely with CIEP.

Executive Departments

Department of State. Member of the Council on International Economic Policy. Has continuing responsibilities for assisting the President in developing U.S. foreign policy and carrying it out abroad. In the foreign economic policy area, certain elements may be particularly noted. One is the office of the Under Secretary for Economic Affairs, the top-level foreign economic position in the Department. The Under Secretary chairs the Operations Group established by the President under the Council on International Economic Policy. The Bureau of Economic and Business Affairs has overall responsibility for formulating and implementing policy regarding foreign economic and business matters of an interregional nature and coordinating regional economic and business policy with other bureaus and agencies. Each of

the five regional Bureaus of African Affairs, European Affairs, East Asian and Pacific Affairs, Inter-American Affairs, and Near Eastern and South Asian Affairs has a regional economic policy staff or office dealing with the foreign economic policies of the region and country directors insofar as the separate countries are concerned. The Coordinator for Multilateral Development Programs under the Assistant Secretary for International Organization Affairs is concerned with U.S. policy in the several economic and social organs of the United Nations system and other international organizations of which the U.S. is a member.

Department of the Treasury. Member of the Council on International Economic Policy. Has a number of key responsibilities relating to foreign economic policy. In this regard, the Under Secretary for Monetary Affairs plays a most significant role concerned with international monetary policy, the U.S. balance of payments programs, and U.S. gold and silver policy. The Office of the Assistant Secretary for International Affairs provides a supporting role in the formulation and execution of a variety of international financial, economic, and monetary policies and programs. The Office of the Assistant Secretary for Enforcement, Tariff and Trade Affairs, and Operations is specifically responsible for determining the existence of sales of foreign goods in the U.S. at less than fair market value and instituting procedures for the assessment of dumping or countervailing duties.

Department of Commerce. Member of the Council on International Economic Policy. Conducts a number of programs aimed at strengthening the international economic position of the United States. Major activities are carried out under the Assistant Secretary for Domestic and International Business. The Bureau of International Commerce is the center for export promotion programs, including the collection and dissemination of information to U.S. firms regarding business conditions and opportunities abroad. The Office of Foreign Direct Investments administers the mandatory system to restrict the dollar outflow for direct investments abroad. The National Maritime Fisheries Service in the National Oceanic and Atmospheric Administration analyzes commercial fisheries operations and seeks means of bringing more aquatic resources into economic production consistent with sound conservation principles.

Department of Agriculture. Member of the Council on International Economic Policy. Has an Assistant Secretary for International Affairs and Commodity Programs under whom the Department's international programs are centered. The Foreign Agricultural Service is an export promotion and service agency for U.S. agriculture which operates a worldwide reporting and analysis network covering world agricultural problems. The Export Marketing Service conducts a variety of programs to promote and assist in the expansion of export sales of U.S.-produced farm products. The International Organizations Staff coordinates the Department's participation in international organizations and conferences, such as the Food and Agricultural Organization.

Department of Labor. Member of the Council on International Economic Policy. Has a Deputy Under Secretary for International Affairs. He serves as U.S. Government member of the Governing Body of the International Labor Organization. The Bureau of International

Labor Affairs is under him, and he is also responsible for developing guidance for the Labor Department's trade adjustment assistance programs.

Department of Transportation. Member of the Council on International Economic Policy. Has an Assistant Secretary for Policy and International Affairs who is responsible for the analysis, development, and articulation of policies and programs for domestic and international transportation, including technical assistance on transportation to developing countries.

Department of the Interior.—Member of the Council on International Economic Policy. Serves, through its Office of Oil and Gas, as a major focal point for leadership and information on petroleum matters in the Federal Government and the principal channel of communications between the Government, the petroleum industry, the oil-producing States, and the public. Its services relate to physical and economic factors affecting the petroleum and gas industries, both in the U.S. and abroad.

Department of Defense. Has considerable impact on foreign economic policies of the U.S. because of its large and worldwide operations. An example is the effect of American military presence abroad upon the economies of host governments. The purchasing practices of the Defense Department also impact significantly on Buy-America programs and other government procurement policies of the U.S. The Secretary is a member of the Council on International Economic Policy.

Department of Justice. The Department of Justice participates in the meetings of the Trade Staff Committee when matters pertaining to domestic law—including import restrictions on certain products—are to be discussed. The Department also advises on the legality of proclamations issued—and other actions taken—by the President on foreign trade matters.

Other Agencies

Agency for International Development. Carries out overseas development, humanitarian, and security assistance programs designed to help developing countries meet their economic and social needs. Foreign economic policies are of deep concern to the success of AID's assistance efforts.

Atomic Energy Commission. Recommends policies for development, use, and control of atomic energy to promote general welfare, common defense and security, and world peace. Atomic energy is already a major factor, in planning economic policies, and these policies must reflect the international needs for energy and for control of the atomic energy sources.

Board of Governors of the Federal Reserve System. Determines general monetary, credit, and operating policies for supervising credit conditions and the banking system of the U.S. Foreign economic policies relating to loans, monetary systems, and currencies impact directly on the Board's responsibilities. (Not an agency of the Executive Branch)

Central Intelligence Agency. Coordinates the foreign intelligence activities of U.S. agencies in the interest of national security. Evaluates foreign economic policies.

Civil Aeronautics Board. Promotes and regulates the civil air transport industry within the United States and between the U.S. and foreign countries. It has a major role in developing economic policies related to international air transport.

The Cost of Living Council. Recommends to the President policies, mechanisms, and procedures to achieve and maintain the stability of prices and costs in the economy. Foreign economic policies are a part of the broad anti-inflation objectives which are established by the Council.

Export-Import Bank of the United States. Aids in financing exports and imports of the U.S. Policies relating to foreign trade and finance are of major concern.

Federal Maritime Commission. Regulates waterborne shipping in the foreign and domestic offshore commerce of the U.S. Foreign economic policies concerning transport and shipping are recommended and reviewed by the Commission.

Overseas Private Investment Corporation. Provides incentives to U.S. private investors to encourage investments overseas by reducing risks and providing financing. OPIC will have recommendations on overseas financial policies and risk insurance.

U.S. Tariff Commission. Advises and determines facts relating to tariffs, commercial policy, and foreign trade. It is involved in foreign economic and trade policies both in determining factors for setting tariffs or providing adjustment assistance and in special policy studies for both the Congress and the executive branch.

Federal Trade Commission. Under Section 5 of the Federal Trade Commission Act, the FTC has authority to proceed against restrictive business practices in international trade insofar as they affect the domestic or foreign commerce of the United States. Under the terms of S. 1774, FTC would be given additional remedies to deal with anti-competitive practices in the import trade. FTC also administers the Export Trade Act of 1918, which permits a limited exemption from anti-trust laws for export cartels (Webb-Pomerene exemption).

B. MISCELLANEOUS INTERAGENCY COORDINATING MECHANISMS

In addition, there is a miscellany of interagency mechanisms for coordinating specialized aspects of U.S. foreign economic policy, including:

The Adjustment Assistance Advisory Board, with membership composed of the Secretaries of Commerce (Chairman); Treasury; Agriculture; Labor; Interior; Health, Education, and Welfare; and the Administrator of the Small Business Administration, advises the President and agencies on the development of coordinated programs for adjustment assistance, giving full consideration to ways of preserving and restoring the employment relationship of firms and workers where possible.

The Committee for Implementation of Textile Agreements, composed of representatives of the Departments of Commerce (Chairman), State, Treasury, Commerce, and Labor, supervises the implementation of all textile trade agreements and takes appropriate actions concerning textiles and textile products under Section 204 of the Agricultural

Act of 1956 and Articles 3 and 6 of the Long-Term Agreement Regarding International Trade in Cotton Textiles.

The Development Loan Committee, chaired by the Administrator of the Agency for International Development and composed of the Assistant Secretary of State for Economic and Business Affairs, President of the Export-Import Bank, Assistant Secretary of the Treasury for International Affairs, Assistant Secretary of Commerce for Domestic and International Business, and Assistant Administrator of AID for Program and Policy Coordination, establishes standards and criteria for AID's lending operations.

The Economic Defense Advisory Committee, in accordance with the National Defense Assistance Control Act, gives complete and full consideration to agency views on which items should be embargoed in trade with Communist countries. It consists of officials of the Departments of State, Commerce, Treasury, and Defense, and the Central Intelligence Agency, the National Aeronautics and Space Agency, and the Atomic Energy Commission.

The Export Administration Review Board is composed of the Secretary of Commerce (Chairman), the Secretary of State, and the Secretary of Defense. It makes recommendations to the Secretary of Commerce on particular export license matters, giving due consideration to the foreign policy of the U.S., the national security, and the domestic economy.

The Export Expansion Advisory Committee guides the Export-Import Bank on allocations for export expansion and makes recommendations on proposals for loans, guarantees, and insurances charged to such allocations. The Commerce Department chairs the committee, and other members are representatives of the Departments of Treasury and State and the Export-Import Bank.

The Foreign Trade Zones Board was created by law to grant to qualified public or private corporations the privilege of establishing and operating foreign-trade zones in U.S. port of entry to expedite and encourage foreign commerce, each zone to be operated as a public utility.

The Interagency Staff Committee on Public Law 480 consists of the specialized staff of the Departments of Agriculture, State, Treasury, Commerce, and Defense, and the Agency for International Development and the Office of Management and Budget; it reviews proposed international agreements and transactions under Public Law 480, the Agricultural Trade Development and Assistance Act, to assure coordination of all aspects of U.S. Government interests and policy.

The Interagency Trade Fairs Committee recommends what international trade fairs the U.S. Government will engage in and the magnitude and control of participation in each fair; it is composed of officials of the Department of Commerce (Chairman), the Department of State, and the U.S. Information Agency.

The United Nations Economic Committee (UNEC) prepares and recommends U.S. positions on economic and social agenda items before the United Nations and affiliated agencies. It is chaired by the State Department and includes representatives of agencies with interests in agenda items.

Senator PELL. Thank you very much indeed.

REASON FOR SEEKING PERMANENT CIEP AUTHORIZATION

Touching on a couple of the points you covered and having had a chance to go through your excellent statement, I wondered why a permanent authorization is now being sought for the Council of International Economic Policy, CIEP. Until now, it has been on an annual basis.

Mr. CASEY. Why we are seeking permanent authorization?

Senator PELL. Yes.

Mr. CASEY. I think it is because we think it has established its usefulness as a coordinating mechanism, and think it should be made a permanent part of the Government structure.

Senator PELL. Do you not think this is a personal designation of a particular President? Different Presidents have different methods of coordinating. An argument can be made that CIEP itself should be lodged in the State Department. Another President might have that view. And once you give a permanent authorization to a structure in Government, it is even harder to knock it off than it is with an annual authorization. It puts it more in concrete.

I was wondering why you felt so strongly that it should be permanently established in law.

Mr. CASEY. Well, Senator, I agree if you look back historically that different Presidents do have different styles. We have had the National Security Council established in law since 1948, and we recognize at that time there was a permanent need for a coordinating body in political security, national security affairs, foreign policy and it was established as such. Its structure is made sufficiently flexible so different Presidents are able to use it in different ways, depending on their style of activity.

My personal view is that international economic affairs have become so clearly important, of such major importance, that there is just as much reason to have a permanent coordinating mechanism in international economic matters as there is in national security matters. And it adds to the symmetry of the structure, the relationship between the major departments and the responsibilities of the President, and in my view it is time to recognize this and to create a permanent body.

ACHIEVING AGREEMENT IN MAKING ECONOMIC POLICY

Senator PELL. In connection with the position of the State Department in making economic policy, would you outline to us what difficulties you have had in achieving an agreement?

Do you feel the prestructure is reasonably smooth?

Do you have any suggestions for improvement in reaching a united administration position on economic questions?

In other words, what organization changes, as you are about to leave the State Department for the Export-Import Bank, would in your view be an improvement?

Mr. CASEY. Well, as I said in my statement, I think that the structure, the structural system is about the way it should be.

You have to have a central mechanism in which difficulties can be thrashed out and positions can be made and issues can be shaped up so that agreement can be made and, in case of disagreement, go to the President for decision.

I do not think this structure can be substantially modified. In the past one person has performed a coordinating role, and now we have a committee in which different departments are represented, and I think that is preferable to having kind of a one-man liaison arrangement. I think that the problem of making the system work better is a matter of people and effort.

I think that while I have been there for the last 14 months, the system has worked quite well in the sense that all the viewpoints get thrashed out, get brought to the surface. Everybody gets a hearing. The viewpoints are thrashed out and policy arrived at so that everybody understands it, and then somebody is tagged, either because of his institutional situation or by conscious decision, to implement the policy, and I think it has worked out as well as it has because of the leadership. The leadership has been good.

I think George Shultz has done a first-class job in performing his chairmanship role in bringing everybody into the decisionmaking process and supporting those who are charged or assigned implementation of responsibility.

SUGGESTIONS FOR COMPROMISE ON TRADE REFORM ACT

Senator PELL. The Trade Reform Act was passed by the House with some amendments and is now before us. What in your view can be done to make this agreement acceptable to the President and still possible of passage in the Senate? Do you have any suggestions?

Mr. CASEY. I did not catch the question.

Senator PELL. The Trade Agreement Act.

Mr. CASEY. Title IV?

Senator PELL. Do you have any suggestions as to what we Senators, eight of whom co-sponsored the Jackson amendment, and yet most of us believe in détente at the same time, can do? Do you see any way out of this dilemma?

Mr. CASEY. Well, Secretary Kissinger addressed that subject in testifying before the Senate Finance Committee on the trade bill a couple of days ago. I share his view that it will not be productive or effective to seek to change the internal policy of the Soviet Union by either offering or withholding nondiscriminatory treatment in trade and export credits.

Senator PELL. Excuse me. I am familiar with the argument on both sides. My question to you was, Do you have any suggestion for compromise?

Mr. CASEY. I am familiar with the suggestions that have been put forward. I hesitate to come down on one because I feel it is essential that a compromise be worked out. I think any compromise which permits the experimental relationship to develop in economic relations with the Soviet Union is very much in the public interest and necessary to be achieved.

I do not have any specific compromise proposal to put forward.

EFFECT OF EAST-WEST TRADE CONTROLS

Senator PELL. Do you think East-West trade controls hinder unnecessarily the development of trade relations with the East or interfere with exports to the West?

Mr. CASEY. Well, this is a continuing problem. We are always going to have it with us. Certainly, as we develop trade and financing relationships, we will have to continue to scrutinize exports and financial transactions to see whether they are likely to impair our security interests. I think as we move forward and understand the economy and the technological structure of the Soviet economy better, we will be able to make better judgments and we will be able to proceed with perhaps less fear and caution and to liberalize the flow of exports that may have security implications. This has been under review for a period of a couple of years and I think it is something that we will have to continue to look at on a case-by-case, technology-by-technology basis. We will have to make judgments on the state of our technology and the relationship between a particular export and the next generation of that technology or product and where that stands in relationship to the Soviet, the state of the art in the Soviet Union, and I think this is a process that will continue to go on and I hope we will do it with greater confidence and be able to do it, grant export licenses more liberally without feeling we are impairing our security.

MOST-FAVORED-NATION TREATMENT

Senator PELL. Does not, from a layman's viewpoint, most-favored-nation treatment [MFN] mean basically with MFN you are permitted a slightly lower tariff coming into the United States, and also the benefit of export-import credits? Is that not basically what it is?

Mr. CASEY. You are treated the same as other countries in terms of imports coming into the United States, and in terms of exports you also are treated the same as other countries.

The Soviet Union would get the same kind of export credits for the same purposes as export credits given to other countries.

Senator PELL. Excuse me. I am not talking clearly.

My question to you was, What else is there involved in not having MFN beyond having a higher tariff rate in coming in and not having the benefit of import-export loans, guarantees?

Mr. CASEY. I think there is a question of political sensitivity, the question of whether we can really build an enduring and usually satisfactory political and economic relationship.

If we maintain and insist upon putting the Soviet Union and other countries in a position where they are discriminated against, I think there is a great political symbolism there.

I do not think that the MFN in itself is terribly important. Of course, if we look at the trade with the Soviet Union most of the trade is, and is likely to be for some time, in raw materials and other products where the tariff treatment is not that important.

On the other hand, as they are trying to build up foreign currency earnings and buying power, export credits are important.

PRESIDENT'S WISHES CONCERNING EXTENSION OF MFN

Senator PELL. Under the President's wishes, would he be extending MFN to those countries he chooses or would all countries receive MFN?

Mr. CASEY. He would be extending MFN to those countries where he finds it to be in the national interest to give them MFN.

Senator PELL. Now the countries, including Yugoslavia and Poland?

Mr. CASEY. Poland has it.

Senator PELL. Not Romania and Czechoslovakia?

Mr. CASEY. That is right.

To Romania and the Soviet Union the President has clearly indicated that he wants to extend MFN treatment. As to the other countries, the MFN treatment would be something that would come along as we worked out claims and debt agreements and other normal aspects of our financial and political relationships.

MEANING OF MFN

Senator PELL. Actually, the term MFN should really be equal trading privileges and then there are a few countries that are not given normal trading relationships?

Mr. CASEY. Yes.

Senator PELL. I think it would help a great deal in pushing our objectives along if we realize that, as a nation, most favored nation means normal trading relationships.

Mr. CASEY. Yes, sir, I emphasize it means not discriminating.

COST TO U.S. BUSINESS OF CUBA QUARANTINE

Senator PELL. Speaking of Communist nations, what is the cost in your view to American business of our quarantine policy vis-a-vis Cuba?

Mr. CASEY. Well, in cost of this trade—

Senator PELL. In dollars roughly.

Mr. CASEY. In dollars, I really do not have any number.

Senator PELL. Could you submit that for the record?

Mr. CASEY. I will try to get numbers and give them to you. I would be pulling a number out of the air because I do not have enough information. I will get it for you.

[The information referred to follows:]

COST TO UNITED STATES OF POLICY TOWARD CUBA

[Supplied by Department of State]

It is of course very difficult to estimate the exact dollar cost to the United States of the economic denial policy towards Cuba. One estimate could be in the vicinity of \$1 billion a year in exports assuming that the U.S. were to account for the same share of the Cuban market as it did in 1958. Of course, since this earlier trade pattern would probably not be renewed for many years and might be considerably altered by trade relationships that have developed since 1958, this estimate would have to be revised downwards. The relaxation of restrictions on U.S. subsidiary trade with Cuba would mean an additional amount of remittances to the U.S. parent companies. There are also outstanding U.S. Government and private claims against Cuba of about \$2 billion.

U.S. PROPOSALS AT WORLD FOOD CONFERENCE

Senator PELL. My understanding is that in the fall the U.N. will convene a world food conference. I was wondering what proposals the United States expects to make there.

Mr. CASEY. The purpose of the world food conference that will be held in the fall is to take a new look at and focus attention on the food needs of the world, what can be done about the problems we faced in the last planting season, last harvest season, where we had prices going up dramatically and food shortages occurring in a number of items.

There has been a preparatory session in February. Another one is scheduled in April. We have studies going on within the Department and—

Senator PELL. Excuse me again. We have so little time to get at it. My question was, What proposals will be made by the United States? Not what we are doing about it?

Mr. Casey. We have not formulated any concrete proposals as yet.

EMPHASIS GIVEN TO AQUACULTURE

Senator PELL. Do you know if we will be giving aquaculture, the farming of the oceans—the same emphasis as agriculture—the farming of the land? They are both good sources of protein food.

Mr. CASEY. Well, we have been doing that right along. This is certainly one of the subjects which would come up there.

Senator PELL. Will it be given equal treatment?

Mr. CASEY. We have been working in fisheries conferences to try to maintain the control over the rate at which the seas are being fished out, and in the studies preparatory to the Law of the Sea Conference, we are doing studies on the farming—what can be accomplished in farming the ocean and that certainly will be prior to the World Food Conference in the fall.

Senator PELL. I do not think the Law of the Sea Conference in Caracas will be touching on the technologies involved, which is what I understand is at stake in Rome. Is that not correct? So there really is very little relationship between the two.

Mr. CASEY. I think there is in the sense that we have been determining the kind of positions we should take about the legal status of ownership of underwater properties. We have had to conduct studies evaluating the economic potential that will be entailed in setting up a legal regime, and these studies will be applicable to any cooperative activities that ought to be looked at and studied in the food conference in the fall.

In that sense, I think preparatory work is relevant.

Senator PELL. I did not understand you. Maybe I am just not hearing properly. What is the relationship between the two again?

Mr. CASEY. We have conducted and have been conducting economic studies and evaluations about underwater resources, and how the agreement on legal rights would affect our interest in underwater resources, whether they are mineral, vegetable, or animal or hydrocarbon. These studies will be relevant in determining what can be done at the World Food Conference to promote the tapping and the reaching and utilizing of underwater food resources.

U.S. POLICY REGARDING UNDERSEA RESOURCES

Senator PELL. I thought the broad outlines of our policy with regard to undersea resources followed President Nixon's excellent

statement several years ago, where he said that the resources of the oceans are the heritage of mankind to be shared and that there would be a policy of revenue sharing.

That is still the policy of the United States, is it not?

Mr. CASEY. That is still the policy of the United States, yes.

PURPOSE OF WORLD FOOD CONFERENCE

Senator PELL. Those are the broad terms of reference. I would think at the meeting of the World Food Conference, you would get into the specifics of how nations with advanced technology will help increase the food supply, the protein supply of the world.

Is that not the purpose of the conference?

Mr. CASEY. That should be one of the purposes of the conference, yes.

Senator PELL. Is it not the purpose? What is the purpose of the conference?

Mr. CASEY. The purpose of the conference is to see what can be done on a cooperative basis to improve and more fairly share world food supplies. But we are looking at not only increasing production, we are looking at what a more open agricultural trading regime will do to not only increasing food production, but sharing it more widely and more fairly.

We will be looking at food aid, at the use of development funds to increase agricultural capability.

Senator PELL. Thank you.

FUTURE U.S. BALANCE-OF-PAYMENTS POSITION

Going for a second to the question of balance of payments from 1970 to 1973, we suffered, as you know, a deterioration in our position. In the last year we have done pretty well and reversed this process. As we look ahead, do you see this position improving or staying about the same or eroding?

Mr. CASEY. Well, I see it improving. I think that it will be set back by the increase in oil prices and the increase in our fuel bill. That will be a major negative effect on our balance of payments.

I expect this to be offset by a substantially increased investment flow to the United States by virtue of the fact that the major element in changing the distribution of payments around the world will be the sharp increase in oil prices. That ought to attract investment dollars to areas which can meet energy needs. Because the United States has a strong position in hard hydrocarbons as the Arabs have in soft hydrocarbons, in oil, and because we have the experience and technology in oil finding and because we have the great lead in the technology of developing and using probably new energy sources from the atom, from the Sun and from hydrogen, and in getting more efficient use, transmission and storage of energy, I expect a substan-

tial flow of dollars to the United States will more than offset the higher fuel bill we will have to pay. And I think our economy and our dollar in relation to other currencies is in such shape that the competitive advantages which we used so effectively last year will continue to come to the fore.

So I think that our balance of payments will continue to be good.
Senator PELL. Thank you.

DOLLARS OWNED BY ARAB OIL-PRODUCING NATIONS

Approximately how many dollars are owned now by the Arab oil-producing nations?

Mr. CASEY. How much is owned?

Senator PELL. Yes, how many dollars are owned by them, roughly, within \$25 billion?

Mr. CASEY. \$25 to \$50 billion.

Senator PELL. You do not think it is more than that substantially?

Mr. CASEY. I would rather look at that carefully and give you something for the record, Senator.

Senator PELL. I think this is a question that should be very much in the minds of policymakers in the State Department and in the Government because this money poised over there can be used for a variety of purposes and could have a real impact in the market here. Surely the Department must have an idea whether it is \$25 billion, \$50 billion, \$75 billion, \$100 billion.

Mr. CASEY. The annual flow is about \$55 billion.

Senator PELL. Excuse me. My question was, how many billion dollars are in possession of the Arab oil-producing nations?

Mr. CASEY. Well, I cannot give you a number with any degree of accuracy.

Senator PELL. I am startled that the State Department does not have some idea.

Mr. CASEY. Senator, I just do not carry it in my head. It does not mean the State Department does not have it.

Senator PELL. Well, within \$10 billion, I would hope.

Mr. CASEY. I am not going to guess for you.

Senator CASE. Maybe we could get that for the record.

Mr. CASEY. Senator, I offered to give it for the record. You know this is not an easy figure to come by.

What do we mean when we say how many dollars do they have? They have dollars in their official reserves. They have dollars in their corporations, in their banks. The money is flowing through the world; they have money in London, they have money on deposit in New York.

Senator PELL. You are an expert on this. I am a layman. I am talking—

Mr. CASEY. Senator, I am too much of an expert to carry that kind of a number around in my head.

Senator PELL. I would be glad if you would submit it for the record.
[The information referred to follows:]

TOTAL U.S. DOLLAR RESERVES IN POSSESSION OF ARAB OIL-PRODUCING NATIONS
[Supplied by Department of State]
[In billions of U.S. dollars]

	September 1973 ¹	December 1973 ¹
Abu Dhabi.....	(2)	\$ 1.1
Algeria.....	.6	1.1
Dubai.....	(2)	3.5
Iraq.....	1.3	4.1
Kuwait.....	.5	.5
Libya.....	2.4	2.1
Qatar.....	(2)	3.5
Saudi Arabia.....	4.1	4.7

¹ "Official Reserves," IMF International Financial Statistics.
² Not available.
³ Department of State estimates.
⁴ November data, December unavailable.

USE OF ARAB-OWNED DOLLARS

Senator PELL. What do you see these dollars being used for? Will they be used for investment in America, will they be kept as Euro-dollars?

Mr. CASEY. That is our great challenge. It is probably the most important economic challenge we have in the world; what are these dollars going to be used for.

They will be flowing in immense quantities. There are more dollars, more currency, flowing out than the official assistance, received by the LCD's, on an annual basis. This increase in price in effect has wiped out all the development assistance, all the work of the World Bank, all of the international financial institutions.

The challenge is, how do you get it back in circulation?

We have talked about it and looked at it for some time, not just since the October embargo because we could see this coming. The Arab nations in the first instance want to use it to develop their own economies. This is not going to happen quickly. They have not got any plans; they have not got the expertise. They are going to have to come West to get the expertise.

They have a propensity to put their money into bonds which yield a fixed interest return. The money is going into the Eurodollar market, it is going into the New York markets. From there it is going to have to be channeled into other types of more nearly equity investments, and this process will not happen quickly. And the great danger—I believe the money eventually will be used and will come back—if there is such a lag in its use that during that lag, a dwindling of world trade could occur and we could find ourselves tailspinning toward a depression.

To avert that, it is going to be necessary to have interim measures, to create short-term liquidity, to make short-term loans to the LDC's and other countries that do not have the reserves to meet and maintain their fuel bills and pay for the fuel at higher prices. This is the most critical economic problem and financial problem we are going to have in these next several months and next year, probably 2 years.

ADVANTAGE TO ARABS OF LEAVING OIL IN GROUND

Senator PELL. From the Arab viewpoint, why would it not be to leave the oil in the ground since the dollar is losing value?
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its value by a certain amount each year, and the oil would probably keep its value more statically?

Mr. CASEY. Well, that is an economic judgment they are going to have to make. I could argue the other way. I could argue that by getting the money and putting it to work at interest, they would come out ahead of the game.

Looking down the road 4, 5, 6 years to a time when other sources of energy will be coming into play, and perhaps the value of what they have in the ground would dwindle, it is an economic judgment they are going to have to make.

In large measure, it is going to be a problem of our diplomacy and our economic persuasion to get them to show them how they can use their money and to show them their stake in keeping the world economy going properly, to produce enough oil to meet our needs.

I am hoping we will be able to accomplish that. It is going to be a matter of diplomatic persuasion.

ARAB EARNINGS FROM EXPORTS

Senator PELL. This year, you realize, the Arabs are expected to earn about \$95 billion in exports.

Senator CASE. Excuse me, is that \$95 billion—I assume it is what all the Western countries are going to pay, not just the United States.

Mr. CASEY. No, just——

Senator CASE. It will not be in dollars then?

Senator PELL. It will be in Eurodollars.

Senator CASE. If the European countries have dollars, they will use them, but they will have to get up their own currencies and pay for that?

Mr. CASEY. Certainly.

Senator CASE. It will have to come out of their own reserves, not out of the United States. I just wanted to clear my own mind about that. Is that true?

Mr. CASEY. Yes. I think we should also see, know that this sum is not only what is coming to the Arab countries, but it includes Venezuela, Canada, Iran, Indonesia, and Nigeria. Many of these countries are going to have internal use of the funds for internal development. It is largely the Persian Gulf countries that are going to get this money and not know what to do with it.

Senator CASE. How many people are in the Arab countries?

Mr. CASEY. The whole Arab world is roughly 100 million. If you look at the country that is going to get most of the money, it is Saudi Arabia with 5 million. Libya is going to get a lot of it with 2 million.

Senator CASE. What is the equivalent of dollars Saudi Arabia is going to get per person?

Mr. CASEY. I will have to give you that for the record, Senator.

[The information referred to follows:]

PER CAPITA INCOME DERIVED FROM SAUDI ARABIAN OIL RESERVES

[Supplied by Department of State]

The population of Saudi Arabia is estimated to be 5.1 million.

The total revenue accruing from oil in 1973 was 4.9 billion U.S. dollars.

The resulting per capita income derived from oil revenues is 965 U.S. dollars.

Senator CASE. Right. How much is it?
Mr. CASEY. A lot.
Senator CASE. It is going to be a lot?
Mr. CASEY. It is going to be a lot.
Senator CASE. It is going to be thousands and thousands of dollars?
A ridiculous situation.
Mr. CASEY. I will give you Libya because that is easy. It is about 2 million people and \$2 billion so they get about \$1,000 a head.
Senator CASE. For Saudi—
Mr. CASEY. Libya, about a thousand dollars a head.
Senator CASE. Yes.
Mr. CASEY. I remember back in the fifties, every man, woman, and child in the Province of Alberta was getting \$60 a year from the Government, their share in the oil revenues. I think they found ways to spend that money.
Senator CASE. It is a topsy-turvy situation.
Mr. CASEY. It is, sure. The oil is now distributed, no question about that.

QUESTION OF WHETHER WESTERN COUNTRIES HAVE RIGHT TO OIL

Senator CASE. Of course, there is a question as to whether the Western countries have a right to the oil. There are some people who do not think Western countries have any right to it and so maybe it is not wrong if they do not have it.

The suggestion has been made by some that the Western countries will not stand for this very much longer, but I just wonder whether Western countries have the right to make this assumption.

Senator PELL. I have just two questions.

BERNARD CORNFELD AND IOS

Going back to the balance of payments, I was always interested in the problems of Bernard Cornfeld and his IOS [Investors Overseas Services] because it seems to me that IOS extracted and benefited the United States by a great many hundreds of million dollars favorably for our balance-of-payments situation. I never could understand why he was considered a criminal under American laws when he probably did more to help the balance of payments than any other single individual in the United States.

What would be the answer to that?

Mr. CASEY. Well, I do not know that Mr. Cornfeld has ever been convicted of any criminal action. I think the nature of his operation, and I have said this publicly and I do not mind saying this again, the nature of his operation was such as to be sufficiently misleading and unreliable to the investors that invested in his funds, that it did great damage to the reputation of the American capital market for integrity and reliability, and in that sense did us harm in a balance-of-payments sense, although it did bring dollars back here. But when the thing crashed down, it caused a great loss of confidence, on the part of particularly Europeans and investors in other parts of the world, in the whole American market, which is very damaging to us, for a period of 2 or 3 years in balance-of-payments terms.

Senator PELL. Right.

REPORTS BY FSO'S OVERSEAS

My final question has to do with the administrative problem, that is, the making of reports by FSO's overseas. You go to some of these little posts and the number of reports they have to fill as a matter of routine, plus the reports they have to fill for administrative reasons, take up about most of their time, leaving them very little to do the job for which they are theoretically mainly hired of looking around and representation and information-gathering.

I was wondering whether any action is being taken to reduce the number of reports and if the price of the short-form reports which American business firms can ask for and pay a dollar for should not be increased—or has it been increased—so that this will not be such a burden?

Mr. CASEY. Senator, a good deal of effort has gone into reducing the number of reports that that Foreign Service Officer, particularly in the commercial field, are expected to produce. The price tag on these has been increased up to \$15. I am not at all satisfied that we have reached the zenith in streamlining this reporting process, but it has received a good deal of attention, and had received a good deal of attention for a year prior to the time I went over to the State Department. We have been working on it constantly since, and I think some progress has been made.

I think it is important that the commercial work abroad be the kind of work which relies on the initiative of the officers rather than just responding to little detailed requests.

Senator PELL. This is a very real problem, particularly in small posts. I have noticed in visiting around they always have a greater burden proportionately than larger ones.

I have taken too much of the time.

The Senator from New Jersey?

Senator CASE. Thank you, Mr. Chairman.

COMMENDATION OF WITNESS

I wish you well in this job, Mr. Casey.

Mr. CASEY. Thank you, Senator.

Senator CASE. I cannot think of anybody who can do a better job than a New York lawyer, and this particular New York lawyer.

EXIMBANK CREDITS GRANTED TO RUSSIA AND UNDERSTANDING

Having said that, I would now like to get to work and go directly to the major concern that I have related directly to your job.

When the President made the agreement in Moscow about a few years ago, he contemplated improved economic relations with Russia, and this was generally hailed as a fine thing.

It has now come to general attention that certain specific things have been done along this line. One is the granting of credits by the Export-Import Bank in the amount of, I am not sure how much has actually gone out in two or three or four or five transactions, maybe as much as \$500 million. And an understanding made, stated, that not more than a half-billion dollars would be granted in credits unless the

Soviet Union complied with the elementary things that all other creditors have to comply with from the beginning in the way of information.

That is a rather extraordinary exception for half a billion dollars, it seems to me.

My concern about this is not just with the most-favored-nation treatment. If that problem did not exist and we had no pressing of interference with internal, as they claim, control of their problems in regard to immigration for Jews, and so forth, but purely a matter of concern of the credits we are talking about here, and I am very deeply concerned about this from several standpoints and one is, of course, these things were done without coming to Congress for approval or even without notifying Congress in specific terms.

So far as I know, I do not think any of this was directly done in secrecy, but there was not the treatment of these credits already made available to the Soviet by the Export-Import Bank—these were not treated as agreements that had to be sent up to Congress, and when we raised the question about that, the State Department, I think, advised that they had not yet come into operation. No, it had not yet come into effect or something of that sort, the law requiring 60 days after coming into effect they have to be sent up to the Hill.

There is also the question as to the actual credits that had been granted and they said, "Well, any agreements were being operated on," or something of that sort, or being applied. I do not know what the word was. In any event, it was a kind of anomalous situation in which there were no agreements, and yet they were being applied.

I am unhappy about that. I think this could have been an oversight. It could have been a development in which nobody thought the so-called Case Act applied here, and I think it should, and I think this may be accepted downtown or not.

QUESTION OF MASSIVE LONG-TERM CREDITS TO SOVIETS

My greater concern is the extent to which it makes sense in the long run to finance relations, economic relations, with the Soviet by massive long-term credits by the United States. I think this is a question that ought not to be decided by the President alone or by you alone, by your board of directors alone, by the State Department alone. I think it is a question that we ought to consider and debate at very great length and then have a decision in which Congress is directly involved, not just "Qua Congress," but as representatives of the American people, because a system of long-term massive credits could lead very well to a situation just, for example, I am not making a charge, in which, as in the case of Lend-Lease, nothing would be done in the way of payments for years and years and years, I mean 50 years, 75 years, and then with a great show of magnanimity, and as if something great were being done, a few million dollars is paid on account of debts of billions, and in exchange for other concessions.

I am not saying that this should apply only to Russia. I am not sure that any such agreements for massive external credits of this sort by our Government ought to be made to any country or its constituents, and I do not think it is a matter that ought to be done without very general consideration and consensus on the part of the American people as a whole.

I do not think that any charter of your bank—Pete Peterson said for instance—his predecessor is keeping a very sharp ear on what I am saying, I am sure—Pete said that this kind of thing, the thing that is being talked about in the way of relations with Russia, would change the whole structure, in effect, and the conception of the Export-Import Bank; did he not?

Would you comment on what I have said thus far?

Mr. CASEY. Senator, I substantially agree with what you said so far. I think that it is a question of what we mean when we talk about massive credits.

Senator CASE. Tens of billions of dollars, that is what I am talking about.

Mr. CASEY. Well, tens of billions of dollars, we are a long way from that.

Senator CASE. We are now, sure. We have not got the \$500 million yet.

Mr. CASEY. We do not have the authority to do that. I just make two points:

In my conception, the Export-Import Bank has operated within its charter. The charter authorizes and directs it to make loans to promote exports.

Senator CASE. It was originally conceived to be for the underdeveloped nations, was it not?

Mr. CASEY. No, it was originally conceived to be East-West trade.

Senator CASE. East-West, and then underdeveloped nations?

Mr. CASEY. It never did much under that charter and it was reactivated to promote exports generally, to promote American exports and to promote our balance of payments position, and so on, stressing employment at home, and that is still the purpose.

Now, it can only do that, finance exports, where it has reasonable assurance of repayment.

POSSIBILITY OF MULTIBILLION-DOLLAR CREDITS

Now, I do not see the building up to multibillion-dollar credits without specific congressional authorization. This is going to only happen over a period of time. It will be loan by loan, and those loans will continue only as long as payments are coming back, as long as the willingness and the ability of the Soviet Union to repay is discernible, as well as the directives of the administration and Congress are satisfied that the repayment program is good. It is not like Lend-Lease where you are going to get indefinitely extended.

Senator CASE. No, it is not unless you make it so. I think now is the time to consider the wisdom of what you say, not only the desire, the wish of the Soviet Union or any other debtor to pay, but its ability, given all the circumstances, its resources, its relations with the rest of the world, the nature of its system and all the rest, is such that it makes a credible picture that repayment can be made.

Then, in addition to that, the question of whether we want to lend it in any event even if it could be made.

Mr. CASEY. That is another question. It seems to me the policy question is another question.

\$500 MILLION EXEMPTION

Senator CASE. That is right. But my point is that I am disturbed, and one of the things that disturbed me very much was that \$500 million from the normal requirements of information about a debtor.

Mr. CASEY. Well, as I understand that, that is a judgment.

Senator CASE. That is \$500 million, which is a lot of dollars.

Mr. CASEY. Yes. But it is based on a judgment that the general economic strength, the general credit record of the Soviet Union was good enough to justify that much exposure, and that before exposure beyond that amount was incurred there would then have to be more detailed information about gold holdings and reserves and so on.

I was not a party to that judgment, that was a judgment that Henry Kearns and his directors made.

MATTER OF THE AGREEMENT

As to the matter of the agreement, as I understand the agreement, it was only a procedural agreement, as to procedures in submitting the possible loan request of the U.S.S.R., a kind of operating agreement that the Ex-Im Bank also has with other countries such as Taiwan, Algeria, the Philippines, Turkey, and Rumania. The Ex-Im Bank had regularly made this kind of procedural agreement with a number of countries.

Senator CASE. Oh, yes, the details of the particular agreement, but I am talking about the agreement itself that grounded all of this operation.

Mr. CASEY. Yes.

Senator CASE. And I think when you have a situation like this one, you do not have just the normal situation of the Export-Import Bank exercising its lending authority when it is done pursuant to a Presidential agreement that this shall be done. Then I think the whole thing forms a major agreement of the United States of America, quite different from the ordinary bank transaction.

MAJOR LONG-TERM CREDIT SHOULD REQUIRE CONGRESSIONAL APPROVAL

I appreciate the chance to get your view on this. I take it that you are generally of the view that major involvement of the United States in long-term credits to the Soviet Union or any other country should require congressional approval in the broad sense.

Mr. CASEY. Yes.

Senator CASE. The answer is, you do?

Mr. CASEY. Yes, sir.

Senator CASE. Thank you, Mr. Chairman.

Senator PELL. Senator Percy?

Senator CASE. Thank you very much. That is all.

WITNESS'S TAKING OVER OF NEW RESPONSIBILITIES

Senator PERCY. Mr. Secretary, is there an effective date for your taking over your new responsibilities at the Export-Import Bank?

Mr. CASEY. As soon as I get sworn in, which will probably be tomorrow or the next day, and I clean up a few things. I expect to take over this week some time.

CREATION OF UNDERSECRETARYSHIP FOR ECONOMIC AFFAIRS

Senator PERCY. Assuming that you do not have a vested interest in your present position and looking back now on the decision to have a full-time, full-fledged Under Secretary for Economic Affairs, do you feel that this was a good move for the State Department?

Mr. CASEY. Yes, Senator, I do think it was a good move and a very, very important move. I spell that out in some detail in my statement I submitted for the record. Just let me say briefly now that it is clear that economics in foreign policy, not only the pursuit of our economic interests but the economic phase of our security and our political problems, have become greatly magnified, and require concentrated attention by somebody on the seventh floor. The matter of keeping, riding herd, watching, and working out of conflicts between our domestic policy, domestic economic objectives, and national economic objectives is one that requires constant attention. I have found that the economic sensitivity in the State Department, the economic aspect of things, is much greater than I was led to believe. It exists not only in the economic theory that I use to a considerable extent in performing my role, but also in the economic people, the commercial people in the geographic bureaus which are line divisions, and with Under Secretary Porter, who is on the political affairs beat. He and I pretty much worked as a team. He brought to my attention things of economic dimension and vice versa. I think that ought to work.

This is spelled out in greater detail in my statement and also in the statement I submitted to the Murphy Commission last week on the economic organization. I will be glad to send it to you.

Senator PERCY. I feel that too frequently government lags way behind in organization. You get a problem and then you scramble to organize somehow to resolve the problem. But here is one case where the office was created before the crisis hit us.

Certainly the dramatic turnaround in our balance of payments position has enabled us to face up to the oil problem and finance the increased costs. It has hurt us, but not nearly as badly as Japan and Europe have been hurt. I give no small measure of credit to the increased emphasis that we have placed in the administration on economics and to the strong backing that your office has given legitimate requests from the private sector.

I know, for instance, in the motion picture industry with which I was once somewhat associated, the policies are set by governments. It is not just private sector to private sector in many countries, it is a government policy set by them, and the State Department can help a legitimate interest in opening up markets that are desperately needed by us. The fact that we have freed up investment flows abroad now after many years of restrictions is testimony that even at a time of economic crisis around the world, we suddenly have loomed stronger than ever in many respects. I think maybe it is a good time to leave that job to go on to another one.

Mr. CASEY. Well, I will still be in the same circle, Senator. I expect I will be doing substantially the same thing.

CRITICAL ASPECT OF JOB

I would like to underscore one of the points you made.

I think the critical aspect of this job is that whoever holds it should be very active in communicating with the business community, with Congress and with the other parts of the government. The business of getting the State Department, our international and economic objectives, thrashing out the consequences of our legitimate national interests that arise through the Commerce and Treasury and Agriculture and other departments to focus on critical things, is a very important thing to do.

There has to be some focal point in the State Department.

INDIAN RUPEE PROBLEM

Senator PERCY. I would like to ask your judgment on the rupee problem. Do you support the negotiation that was arrived at during long deliberation and study between India and the United States?

Mr. CASEY. Yes, Senator, I do. I think it was a sound and a constructive way to resolve what has been a very topheavy and very contentious situation between our Government and that of India.

I think it is resolved in a way which meets our needs and makes a contribution to India's development needs and will provide a solid basis for ultimately a better relationship with India.

COPING WITH FUTURE OIL AND RAW MATERIALS PROBLEMS

Senator PERCY. We had testimony from oil company executives who, in effect, said that the day of the private sector being able to undertake negotiations with the oil-producing countries, without government help, are over. It is highly possible that as a major user of other raw materials, and we are increasingly a have-not Nation with respect to raw materials, that the role of Government is going to be greater simply by the requests of the private sector to help protect a flow of raw material that is absolutely essential to keep our industrial machinery and employment going in this country.

Do you foresee the State Department strengthening itself in the economic field sufficiently to cope with these kinds of problems as they come in the future?

Mr. CASEY. I think we will have to. I think it will be important that we do.

I am not at all clear as to exactly what that required. That was only a matter of time. The State Department has in fact worked with the oil companies in their negotiations with the oil-producing governments for some time, and I do not think anybody is very happy with the results, although I confess I do not in retrospect have any confidence that things would have turned out any differently or any better if there had been some greater degree of involvement and participation.

I think we have to recognize that the Government is unlikely to develop the expertise and the detailed knowledge about the aluminum business and the oil business processed by the companies which spend all their time on it. That is not to say that it is something to which a good deal of attention, a great deal of attention, should not be given,

but I think we are still finding out, probing to find the right way to do this. I do not think we have the formula by a long shot.

Senator PERCY. But if the bauxite countries, instead of getting together recently as they did and developing a very sensible, long-term broad-gaged view of their role as producing countries, had taken an arbitrary position that they are going to impose embargoes and that they are going to double, triple, quadruple the price of bauxite, we suddenly would have had a problem on our hands. I think they were very wise and responsible in what they did.

In this country thoughts were being given to substitute materials to wean ourselves away from our dependence on them. I think what they did was in their best interests. But I think we are going to have to have much greater cooperation than in the past between the Government and the private sector in the area of raw materials.

Mr. CASEY. I certainly agree with that, and I think, I would emphasize, that the problem is very different material by material. I am not satisfied there is anything quite like oil.

You point out bauxite and aluminum are more substitutable, more quickly substitutable. There is a greater dependence among the producers on the smelting facilities of their customers so it is not as easy to shift. It is not as fungible a product as oil. Each one of these is different, and the Government is going to have to work more closely with business, be sensitive to these differences and find out what is a solid long-range policy. And I hope we will have more foresight to see the problems coming for some of these raw materials than we had with petroleum.

TWO WAYS OF LOOKING AT LESS DEVELOPED COUNTRIES

Senator PERCY. I suppose we can look at the lesser developing nations in the world in two ways. First from the standpoint of a rich and powerful nation, we want to share and do our part. But second, from our standpoint, we must look at them as a reservoir of a great deal of the raw materials, and is it in our national self-interest to see that there is development in those countries, that there is stability, that there is sufficient growth so that they can meet the need.

Mr. CASEY. Yes. There are both those aspects, and I think those two aspects are interdependent. I think their development is really going to come from the development of their resources, and the needs of the developed world will depend on the development of their resources, so we have to be very sensitive about this because they are very properly solicitous not only that they get full value for their resources, but those resources do not get worn out and eaten up too quickly.

I think in another respect the development of the lesser developed countries is going to become less important in terms of markets, than in terms of materials. When we were in balance-of-payments trouble over the last year and the year before, the lesser developed part of the world was the only part of the world where we had a significant surplus, and this is a long-winded way of saying that the economics have to be worked out to be beneficial both in terms of markets and resource development.

EFFECT OF DENYING IDA REQUEST

Senator PERCY. Looked at from the standpoint of our own national self-interest, how do you regard the recent action of the House in denying the IDA [International Development Association] request, and what do you see that that spells for us as a nation? Disregarding, if you can momentarily, the humanitarian aspect, what long-range effect do you think it might have on this country and our vital interests if something is not done in the Senate to reverse this vote?

Mr. CASEY. I think it will have a very unfortunate impact in several respects.

I think that one of the important things, one of the important elements of leadership that this country showed in the world over the past 20, 25 years is getting the development process going and inducing other nations to participate. We were carrying the whole thing ourselves back in the Marshall Plan days. In getting the European countries and Japan, notably, into following our bilateral assistance lead, we have made it a worldwide thing.

The United States, got this replenishment organized, had our share in it reduced, down to 33 percent, and got the other nations, notably Germany, England, Canada, substantially to increase their commitment. For us to fail this reduced commitment and to in a sense pull the rug out from our advanced partners for countries needing assistance, will not redound to our leadership in the world.

I hope this will be turned around.

TRADE PREFERENCES FOR LESS DEVELOPED COUNTRIES

Senator PERCY. From the standpoint of the LDC's, I have talked with some of their government and they of course have talked in terms of trade preferences that they would like to have, where the Soviet Union just wants a normal trading relationship.

Do you have a recommendation or a State Department position on trade preferences for the LDC's?

Mr. CASEY. Well, we support the proposal that the administration made in the trade bill, that a generalized preference be extended to the manufactured products of the LDC's. We have done a lot of talking about this and perhaps we were instrumental in getting the Europeans and the Japanese to extend preference to the LDC's, trade preferences, and here again we are lagging behind in actual implementation.

I think it is important, in terms of preferences, to take into account the resource and market development of the LDC's. Our economic self-interest in that as well as our humanitarian purposes and our general reputation in the world require that we catch up with Japan and Europe in this respect.

OIL PRODUCING COUNTRIES' INITIATIVES CONCERNING FUND TRANSFERS TO LDC'S

Senator PERCY. Could you comment on some of the initiatives being taken by oil-producing countries with respect to the transfer of funds to LDC's and what our position would be in that regard?

MR. CASEY. Well, there has not been enough of it yet. The Iranian initiative is very welcome. They indicated a program of transferring as much as \$1 billion a year to the World Bank, and to other instrumentalities. Certainly the increased oil prices have wiped out the value of developmental assistance from the World Bank and other developmental flows to the LDC's.

To pay the oil prices would eat up all the developmental assistance funds. So there has to be some way for them to get additional funds, if they are going to make do. It is very much not only in our interest, but I think in the interests of the oil-producing nations, to have their interests in a viable, durable, well-balanced world economy so that they do step up and use some of these funds that are going to be coming in to make contributions to development of the LDC's in line with their increased capacity to make those contributions. I think that is of paramount importance to us and the whole world.

CONTINUED EMBARGO IN VIEW OF NEEDED TECHNICAL ASSISTANCE
QUESTIONED

Senator PERCY. I would like to ask about this oil producers' conference that was postponed. I would somehow like to get a message to these countries. Some of their ministers have been here and have met with this committee. When we asked them what their future plans were for their countries, the first subject that they got on to was to diversify. They do not want to be a one-crop or one-product country. They just do not want to depend on oil and, as they warmed up with the subject, they started listing all of the things they wanted to do. It was obvious that there was one place in the world that they could come to for the greatest expertise in any of these fields, the United States. Even a very sophisticated country like the Soviet Union is anxious to have a degree of sophistication added to their economy.

Does it make any sense at all for these countries to delay an end to the embargo and possibly deny themselves the very kind of technical assistance that has to be backed up by a certain amount of cooperation, good will and investment by us?

Does it make any sense for them to continue this boycott to the point where our desire to provide the very kind of technical assistance and know-how they may need would dampen a great deal if they bring irreparable damage to the developed countries, to Japan and to Europe. The shock to us has not been as great. We are too big an oil-producing country and we have too many other sources of energy; we are being inconvenienced but we are not suffering the way many of these other countries are. Does it make any sense for them not to find some way to resolve this issue and follow the leadership of Saudi Arabia and to have Libya and Iraq and Algeria and a few others see the light somehow?

MR. CASEY. Well, Senator, I do not think it makes any sense at all, and I guess we can only be hopeful that they arrive at that conclusion themselves. I think it would not serve any point to speculate as to what is going to happen. They are going to meet again on Wednesday and we can just sit back and watch and hope.

I think that their desire to diversify their economies, which is understandable, and our need to get investment money back into the

flow of world commerce, and our desire to see them subscribe to development, I think all these things fit together. One way in which they can become part of the world and get the experience necessary for them to create industries from which they could market worldwide (which they have to do because their own populations are not big enough to support those industries), is to participate in the development process. And I think that is one of the cases we should be pounding home to them, and I intend to do that.

I am going to make that speech to them. We ought to do it every way we can.

COMMENDATION OF WITNESS

Senator PERCY. My last two questions relate to the bridge between your present responsibility and the responsibility you undertake later this week, and certainly I commend the administration on your selection. I think you are just an outstanding appointee for that bank and will provide tremendous leadership just as I think Henry Kearns has done an outstanding job.

COUNTRIES HAVING AND NOT HAVING MFN TREATMENT

From the standpoint of the Soviet Union and its requests for most-favored-nation treatment, how many countries have most-favored-nation treatment and how many do not have it? Can you give me a rough idea offhand?

Mr. CASEY. I can give you a rough idea. I would say they all have it except about eight or nine. You have a more accurate idea.

Mr. ARMSTRONG. U.S.S.R. People's Republic of China, North Korea, North Vietnam, Rumania, Albania, East Germany, Czechoslovakia, Mongolia and Bulgaria. I think that is it.

Mr. CASEY. As I said, nine or ten.

MFN MORE APPLY "NORMAL TRADING RELATIONSHIPS"

Senator PERCY. Then, instead of being most favored nation, is it not more aptly to be termed normal trading relationships?

Mr. CASEY. Certainly it is, it is an exception when you do not have it.

International trading is based on MFN except for the outcasts. That is how they feel about it.

Senator PERCY. This relationship in trading between countries really goes back many centuries. Trading relationships can lead to far more important relationships; they can be the glue that binds nations in positive efforts to attain common objectives.

So it would be highly desirable for us to move ahead if we can find a way to resolve this difference that separates us from the Soviet Union. I am certain that a great deal of good will will come forward between both parties to help resolve this difference.

EXTENT OF SOVIET ADVANTAGE FROM MFN TREATMENT

To clear up how much advantage would be given to the Soviet Union from the standpoint of credits, could you put in commercial terms what would be available under so-called most-favored-nation

treatment and what type of credit requests are now being made by the Soviet Union. How do these compare with the credit risks and credit being extended to other countries, and how do you, as a banker, look on them? Are they a sound, solid investment. Will the U.S.S.R. be carrying a fair share of costs and interest costs and so forth?

These credits are not being asked to be put on the same basis as a soft window loan or anything like that. Could you clear this up for the record and make that distinction because there is a great deal of public misunderstanding about this and I detect a certain amount of misunderstanding right here in the Congress.

Mr. CASEY. Well, export-import credits, which are what we are talking about, would go to the Soviet Union, Rumania, and the other nations that are involved on the same basis as they go to all the other countries of the world. They will get a 7-percent interest rate on half of the loan with the other half of the loan being at normal commercial rates.

Senator PERCY. How competitive is this 7-percent rate?

Mr. CASEY. The 7-percent rate is substantially competitive; we try to keep it competitive. It moved from 6 to 7 percent because we thought it would still be competitive with the interest rates the Soviet Union can get from our major trading competitors for substantially that kind of credit terms, such as interest rates, maturities from Japan, from France, from Great Britain, from Germany.

So all we are talking about is making ourselves competitive in terms of export credits with the other major exporters and our competitors for the commercial business that is available from the Soviet Union.

These loans have to be on a sound basis. We have to satisfy ourselves that repayment will be made. The terms will be the same as the terms on comparable loans to any one of the hundred-odd other nations which now have export-import credits extended to them.

So all we would be doing is putting the Soviet Union on the same basis as everybody else in terms of export credits.

Now, the kind of loans that Senator Case was referring to may be an exception. Where you start talking about a multibillion dollar pipeline deal, even that under present authority would have to be at the same rate and would be restricted to the dollar value of American goods that are being used in these projects as with all the other credits. We are not extending credits so countries can go out and spend a lot of money building drinking water plants or go out and buy materials on the world market elsewhere.

These are loans for them to pay for purchasing American goods. That is the purpose of this lending.

Senator PERCY. There will be no grace period at all? Seven-percent interest begins the first day the loan is made?

Mr. CASEY. Well, the normal grace period provision in most of these loans is something like 6 months after completion of the project, the concept being that they ought to start earning a little money and start paying back, but this is the same grace period everybody else gets. The maturities and grace period are designed to the nature of the project. The probable initiation of revenue flows and the normal payout terms that you would make, are banking judgment as to how the loan can be handled reasonably within the economics of the fund.

EXTENT OF ADVANTAGE TO SOVIETS FROM MFN

Senator PERCY. In your judgment, has the Soviet Union asked us to provide anything to them that is not available from Great Britain, Japan, or West Germany?

Mr. CASEY. Well, all the projects that have been financed to date and those that I know of are for equipment, machinery and construction of plants which could be provided within a margin of 5 or 10 percent of quality and efficiency by the other advanced economies, particularly Germany, Great Britain, and France.

Senator PERCY. And the plusses for us would be that we would gain, balance of payments wise, we would keep American workers employed, we would presumably make a profit on the sales—and the Federal Government gets 48 percent of those profits—and that comes right back to the Treasury, in addition to getting interest on the loans that are competitive in the world markets?

Mr. CASEY. That is correct, Senator.

Senator PERCY. So this is not a great big dole or a giveaway program or anything like that? This is a commercial, practical, hard-headed desire on our part to do business and their desire to do business with us?

Mr. CASEY. It is the same kind of promotion as financing of exports as Germany, France, and Great Britain are geared to.

Senator PERCY. So if we can overcome this one hurdle that we have, you feel this is in the interests of the spirit of détente to continue realistically to see how many things we have in common and not to de-emphasize by one iota the things on which we are diametrically opposed to.

Mr. CASEY. We feel that it is very critical that a way be found to compromise these understandable differences.

Senator Pell asked me to come up with a compromise formula; I felt unequal to that task, but I think from the discussion that is going on one will ultimately emerge.

COMMENDATION OF WITNESS

Senator PERCY. Thank you. I wish you the very best in your new position, and I commend you, Secretary Casey, for outstanding service in creating and helping get started this new job in the State Department.

Mr. CASEY. Thank you very much, Senator.

Senator PERCY. Thank you, Mr. Chairman.

Senator PELL. I, too, join in congratulating Mr. Casey in this. I remember it was a new job and while I had been well aware of his work in the International Rescue Committee, that was a far cry from his job of Under Secretary of State for Economic Affairs.

So good luck to you in your new job.

Thank you all very much, and Mr. Armstrong, who will stay in Washington.

Mr. CASEY. Thank you very much.

Senator PELL. Our next witness is Under Secretary for Security Assistance Donaldson.

I am glad to welcome you in this role. I hoped to welcome you as a political colleague, as mayor of New York, but I guess you have just

as many problems in your present job as you would have had in that one and I wish you well.

I have had a chance to go over your statement and you say that you are keeping it short because you are not familiar with your subject matter. The fact of the matter is, usually those who are very confident keep it short and the less confident the witness is, the longer the statement. So I think you must be both confident and competent in this subject.

**STATEMENT OF WILLIAM DONALDSON, UNDER SECRETARY OF
STATE FOR COORDINATING SECURITY ASSISTANCE; ACCOMPANIED BY SEYMOUR WEISS, DIRECTOR, BUREAU OF MILITARY
AND POLITICAL AFFAIRS**

Mr. DONALDSON. Thank you, Mr. Chairman.

Let me begin by introducing Mr. Seymour Weiss on my left, who is the Director of the Bureau of Politico-Military Affairs in the Department. We introduced Dean Brown three times, I guess.

I might just briefly run through a brief statement and then open myself to questions.

As you know, security assistance has been an integral part of U.S. foreign and national security policy since the beginning of World War II. The Presidential Task Force on International Development recommended in May 1970 that the Department of State strengthen its direction and leadership in political-military matters . . . particularly its capability for setting policy and for directing and coordinating security assistance programs.

PRIMARY GOALS ADOPTED BY UNDER SECRETARY'S OFFICE

The President personally endorsed the task force report in September 1970 and the Congress established; early in 1972, the position of Under Secretary for Security Assistance. Since the creation of this office, under the leadership of my predecessor, who took office in May of 1972, the policy level in the State Department has played an active role in providing guidance and direction to those elements in State, DOD, and AID which are responsible for developing and administering country security assistance programs. During the period between then and now the office of the Under Secretary has adopted several primary goals:

To move military assistance for an increasing number of countries from a grant to a sales credit basis as expeditiously as possible;

To move claimants for security assistance toward a common goal of self-reliance with respect to military planning and arms acquisition;

To insure as far as practical that allied and friendly governments arrive at decisions on force goals within the framework of their own planning and within the context of their own resource constraints;

To relate security assistance funding to existing needs, rather than historic planning levels;

To reduce the size of advisory groups as countries phase into reliance on credit sales arrangements.

REVIEW OF TOTAL SECURITY ASSISTANCE EFFORT

Although these are well-conceived goals, it is obvious that in the rapidly evolving world of today, subject to the many forces alluded to this morning by my colleague Under Secretary Sisco, a basic and fundamental reexamination of our total security assistance effort is essential.

During Secretary Kissinger's confirmation hearings before this committee, he indicated that such an effort would be undertaken and, upon my confirmation, the Secretary gave me a clear mandate to initiate the project. This review, now in its early stages, will also serve as a basis for the allocation of fiscal year 1975 resources and for the preparation of the fiscal year 1976 budget. The review is being conducted in two phases. The first seeks to examine specific country programs, focusing on U.S. foreign policy objectives in each country, the relationship of the security assistance programs to our policy objectives, the availability of alternative means of supporting policy objectives, and the adequacy of security assistance resources. The second phase will concern itself with broader issues which are fundamental to the program; i.e., an analysis of overall program rationales, an analysis of comparable efforts of other countries, and an analysis of program criticisms.

This process, as we envision it, is not a one-shot effort, but should be viewed and structured as a continuing activity which will enable my office to assure the Secretary of State and the responsible committees of Congress that the programs we are administering are essential in nature and not just a habit of the past. I want to assure you that I undertake the leadership of this effort with an open mind.

I am aware of the vital role our security assistance programs have played in many areas of the world in the past three decades. Yet at the same time, I am keenly aware of the current fundamental shifts of international relationships that may bring with them a need for changed emphasis and direction in our concepts and practices in the security assistance field. The results of the total review will importantly influence the preparation of the fiscal year 1976 budget and I look forward to keeping this committee apprised of the work as we proceed.

AREAS OF RESPONSIBILITY OF WITNESS' OFFICE

At the time of my appointment as Under Secretary for Security Assistance, you will recall that the responsibilities of my office were redefined and broadened by Secretary Kissinger. At that time he stated that, in addition to security assistance matters, he was asking me to assume responsibility for "the energy aspects of foreign policy." to assume a role of "general supervision" over the activities of the Bureau of Cultural Affairs and Science and Technology, and to be available for other "special assignments" that he might designate from time to time. I thought it might be helpful to give you a 3-month progress report in these areas.

WORK IN ENERGY FIELD

In terms of these additional assignments, by far the highest priority has been our work in the energy field, occasioned, of course, by the conditions of extreme shortage and rapid price escalation of oil—conditions exacerbated by the October war and the resulting boycott.

Shortly after my swearing-in, I accompanied Secretary Kissinger to London where he proposed the establishment of an international energy action group during his Pilgrims speech. The response to this initiative was very encouraging, and the followup action, as you know, included the President's invitation to and then the convening of the Washington Energy Conference of February 11 to 13. Secretary Kissinger asked me to coordinate the effort to prepare for this meeting, which involved, in addition to the creation of a State Department task force, considerable interagency cooperation and coordination.

As a result of this Conference, and in accordance with the communique for the Conference, an International Energy Coordinating Group has been established, composed of senior government officials from all the countries except one, represented at the Conference, to carry out a series of tasks associated with a proposed program of international cooperation in the energy field. The first meeting of this group was held in Washington on February 25. I chaired the meeting, and coordinated the interagency work undertaken to prepare for it. I have just returned from a trip to Europe to help prepare for the next meeting, which will be under the chairmanship of the Belgian Government, and is to be held this week in Brussels, on March 13 and 14. I would, of course, be glad to comment further on these efforts later this afternoon.

AREA OF SCIENCE AND TECHNOLOGY

Let me address a few remarks to the area of science and technology within the State Department. As you all know only too well, you have been instrumental in having included in the State Department's authorizing legislation for this year, a provision dealing with this area. As a result of that legislation, section 9, Public Law 93-126, I have been working with Deputy Under Secretary for Management, Dean Brown, on the establishment of a new Bureau of Oceans, and International Environmental and Scientific Affairs. The Secretary has just approved our recommendations, and we hope to have the new Bureau organized in the very near future.

In developing the proposals for this new Bureau, we have attempted to pay particular attention to congressional concerns for the special needs of certain groups active in the new Bureau's areas of responsibility. In particular, we have been mindful of the fishing industry and have attempted to organize the Bureau to assure that proper attention will be focused on this vital area. The new Bureau will be composed of existing components of the Department and will, at least at the outset, not involve additional resources. After we have gained some experience with the Bureau, we will assess our resource needs and discuss them with you.

CULTURAL AFFAIRS

Finally, a word on cultural affairs. What with the pressures of the commitments outlined above, beyond general familiarization with the activities of the Cultural Affairs Bureau, I have been unable to devote any time to this area to date. John Richardson, the Assistant Secretary of State for Cultural Affairs, whom you all know well, is an able, effective, and experienced administrator who knows the Bureau well and is doing an admirable job of carrying out its program. Secretary

Kissinger is keenly interested in this area, as am I, and as we move on, I hope to be able to work more closely with John Richardson and his associates.

I hope this brief presentation will give you a better feel for the activities undertaken by the Office of the Under Secretary for Security Assistance during the past few months. I, of course, would be glad to elaborate on these comments and urgently solicit either here or later your reactions and reflections. Thank you.

Senator PELL. Thank you very much, Mr. Donaldson.

AMBASSADORIAL RANK FOR DEPUTY ASSISTANT SECRETARY FOR FISHERIES

Touching briefly on your statement with regard to the Ocean Affairs Bureau, as I understand it, the tentative thought is there will be three Deputy Assistant Secretaries, one for each of the present areas, science, fisheries, and environment.

Mr. DONALDSON. That is correct.

Senator PELL. I asked this question already of Mr. Sisco this morning and want to reask it of you.

Has thought been given to giving the Deputy Assistant Secretary for Fisheries the personal rank of Ambassador when it comes to negotiations overseas, because I think this would do a lot to alleviate the problems the fishing industry is having with this proposed setup.

Mr. DONALDSON. Right. Certainly, considerable thought has been given to this area.

Senator PELL. When will it be done?

Mr. DONALDSON. No final decision has been made, and I would welcome an opportunity to discuss this with you. Certainly it has been discussed in terms of our original organizational structure.

Senator PELL. To my mind, and I speak, as you point out, as the originator of the amendment and chairman of the appropriate consultative subcommittee which is charged with at least two of those different areas, I think that that particular man more than the other two Deputy Assistant Secretaries should have that rank really for not only doing the job, but to give assurance to a very hard-pressed domestic industry, one which has a good deal of political force and overtones in the United States.

TIME WITNESS SPENDS ON ENERGY MATTERS

In connection with your job, I know you have been spending most of your time on energy matters. Is this a temporary approach or will it be permanent?

Mr. DONALDSON. Well, I think that the Secretary's assignment to me originally was to try to gather together the existing resources that we have within the State Department and focus them in on, originally the Washington Conference, and then secondarily, the work program that has come out of that Conference.

I suspect that our concept of the work program that is coming out of the Conference has a time end to it, if you will.

We do not see ourselves creating a new body but, rather, approaching and attacking an existing problem. So you think there will be an end to it all, although the energy situation, as we see it, is one

that is going to be with us, if not in crisis proportions, certainly in problem proportions for a long time.

Senator PELL. Because the time you are presently giving to the other aspects of your job is far less than was originally conceived of in the creation of the job of Under Secretary for Security Assistance.

Mr. DONALDSON. Yes, sir. I think certainly the startup time of getting the energy thing going has taken a good portion of my time and I would think proportionately will take less and less as time goes on.

Senator PELL. This was the thought, I believe, in the creation of your job?

Mr. DONALDSON. Yes, sir.

SEVERITY OF OIL SHORTAGES IN EUROPE

Senator PELL. In connection with the energy question, how severe are the oil, fuel, petroleum shortages in Europe compared to the United States? Do they have lines at their stations? Do they have the increase in cost in heating oil, et cetera?

Mr. DONALDSON. Well, with the selective lifting of the embargo since the October war, it seems to me both from observation and reading the statistics that the supply problem has considerably lessened in Europe.

There is one country embargoed as we are, Holland.

Senator PELL. But is it less in Europe than here?

Mr. DONALDSON. Yes, in terms of supply. But in terms of price they are suffering from price increases even as we, although they are starting from a much higher base.

As you know, particularly in gasoline and also in the fuel oil area, the prices were higher to start with, and although they have had increases, they are not as great as ours.

In terms of shortage conditions, in terms of lines at gas stations, I would say that has eased considerably sooner than it has on this side.

U.S. FUEL PRICES

Senator PELL. Would it be a correct statement to say that the United States has lower fuel prices today than any other country in Europe?

Mr. DONALDSON. Yes.

RECENT EUROPEAN OFFER TO ARABS

Senator PELL. Can you comment upon the recent European Community offer to the Arabs where they did that without consultation with the United States?

They are always screaming at us for doing something without consulting with them, but in this case, did they not communicate with the Arabs without consulting with us?

Mr. DONALDSON. Well, as a result of the recent EC proclamation, they have not—they have simply authorized the current president of the Commission to initiate discussions with the Arab nations. They have not done so yet in behalf of them.

What we were getting at as a result of the Washington Conference and the follow-on work is not to prevent bilateral consultations with the Arab world, but rather, to attempt to create, among other areas of cooperation, some cooperative efforts that would create a code of conduct, if you will, in terms of making bilateral deals.

We are assured, have been assured that the current EC approach to the Arab countries is not designed to touch on oil or oil-related matters.

REDUCTIONS IN ENERGY CONSUMPTION BY U.S. MILITARY FORCES

Senator PELL. What reductions have been made in the consumption of energy by our military forces. Have they made the same reduction that the civilian sector of the economy has?

Mr. DONALDSON. To the best of my knowledge, "Yes," they have. They made considerable reductions, some of them perhaps with more risk, if you will, or sacrifice than the civilian sector, but they have cut back.

MILITARY FUEL CONSUMPTION IN SOUTHEAST ASIA

Senator PELL. What is the consumption of fuel in Southeast Asia now for military purposes?

Mr. DONALDSON. I do not have that exact figure. The total Armed Forces consumption is about 500,000 barrels a day.

Senator PELL. That is American?

Mr. DONALDSON. Yes; U.S. Armed Forces consumption. We can get the figure.

Senator PELL. Could you submit that for the record, and also the fuel that is being used by the Lon Nol forces and by the South Vietnamese forces in Southeast Asia. Where does that fuel come from?

Mr. DONALDSON. That is largely supplied from that area of the world by both military and commercial suppliers but I again will get the exact details of it.

[The information referred to follows:]

CONSUMPTION OF FUEL IN SOUTHEAST ASIA FOR MILITARY PURPOSES

[Supplied by Department of State]

The fuel consumption of the U.S. Armed Forces is now expected to average about 600,000 barrels a day for fiscal year 1974. The fuel used by the Cambodian and South Vietnamese military forces is primarily refined in Southeast Asia from Middle Eastern and Indonesian crude oil. Some of it may be from other foreign refineries, but none comes from U.S. refineries.

Senator PELL. Of that fuel, is that being paid for by the United States directly or indirectly?

I imagine almost all of it is, is it not?

Mr. DONALDSON. Yes.

Senator PELL. Right. Could that figure also be put into the record?

Mr. DONALDSON. We will get that.

Senator PELL. Because this is a question we often get in the hearings--Why are we continuing to use fuel to bomb and to fuel the war in Southeast Asia when we need it here at home? While I have always opposed the policy involved, I still would like to know the administration's position on that and what amount of fuel is actually

being used in Southeast Asia for military purposes, and where it comes from.

[The information referred to follows:]

AMOUNT OF FUEL TO BE USED IN CAMBODIA AND SOUTH VIETNAM, FY 1974

[Supplied by Department of State]

There is no connection between the fuel shortages in the United States and the fuel being used by the Cambodian and South Vietnamese military forces. The fuel shortage in the United States is a result of the Arab embargo. The fuel being used in Southeast Asia comes from Southeast Asian refineries. These refineries have not traditionally sold in the United States, and under current circumstances, it is even less likely that they would supply U.S. markets because they are largely dependent on Arab crude oil.

Our present estimate is that the South Vietnamese and Cambodian military establishments will require 7,328,000 barrels of fuel in FY 1974. As indicated above, this will come primarily from Southeast Asian refineries. In monetary terms, \$52.7 million has been allocated from the FY 74 Military Assistance Service Funded program for South Vietnam and, \$5 million from the Military Assistance Program funds for Cambodia for fuel supplies to the two countries. Any increase in world-wide fuel prices will require adjustments in these allocations.

MAAG POLICYMAKING PROCESS

Senator PELL. In connection with the MAAG [Military Assistance Advisory Group] policymaking process in which we decide, first to move ahead and have a program and, second, what kind of assistance to give, what kind of weapons, et cetera, could you describe for me how that process evolves?

Does it start with a military attaché? Does it start with the CIA man and what is the role of the Ambassador? Does its recommendation go first to the Pentagon and then the State Department?

Is the MAAG report directed to the Pentagon or does it report to the State Department?

Mr. DONALDSON. Well, various budgets are prepared first of all by a review from the country desks of their needs and from them through the regional assistant secretaries.

Now the input there comes from the country itself. The Ambassador and the military liaison officers have an input into those judgments. A similar process is underway on a simultaneous basis within the Defense Department, and then those recommendations that are built up from the bottom, if you will, are subject to review by the ISA [International Security Affairs] sector of the Defense Department, and by our political and military bureau within the State Department, and ultimately this is coordinated through the rest of the Government by a coordinating committee which I chair as Under Secretary of Security Assistance and on which sit representatives of OMB—Office of Management and Budget—DOD, National Security Council, the Treasury Department, and so forth.

Senator PELL. For instance, specifically would the MAAG people, when it comes to recommending a huge budget or program for the coming year, do they report directly to the Pentagon or do they report through the Ambassador through the State Department to the Pentagon?

Mr. DONALDSON. Well, there is a line relationship that I guess comes through, directly through the Pentagon and to the President, although

there is a coordinating and an overseeing role that the Ambassador has as his function in the country.

Senator PELL. This is a question on which I want to bear. I thought the line relationship was supposed to go through the Ambassador. Then the question is, does it go to the Pentagon or to the State Department. I did not realize they were able to communicate on a line basis directly with the Defense Department. I thought it had to go through the Ambassador.

MAAG LINE OF COMMUNICATION AND PROGRAM DEVELOPMENT

Mr. WEISS. Mr. Chairman, may I add just a word of clarification here? Senator Pell, essentially there are two different questions you are addressing yourself to and both are quite pertinent.

One is, is there a direct line of communication established and the other is, what is the procedure by which these programs are developed?

Mr. DONALDSON. To take the latter point first, the procedure essentially involves, starting with the Washington end, a coordinated development of a policy guidance which it is the ultimate responsibility of the Under Secretary for Security Assistance to review and approve. This is usually done on about a 5-year basis, that is, it covers the immediate budget year and as far as we can reasonably see beyond.

That program is put together basically by the MAAG in the first instance, but the program is then reviewed by the country team under the direction of the Ambassador and it must bear his imprint before it is sent back to Washington. Normally, any differences of view are resolved at that level. There may be differences of view which are then forwarded back to Washington, and then, as Mr. Donaldson has pointed out, there is a comparable interagency review process back there which he is in charge of.

Now, as far as a line of communication, the Defense Department does have an opportunity to make its views known, that is, its MAAG people have an opportunity to have their views taken directly back to the Pentagon, but the ambassador has full access to that information; it must bear his imprint. It is however an opportunity for them to have their views made known on genuine military matters.

Senator PELL. As a matter of course, am I correct in saying that every communication, no matter from what Government agency, if the ambassador wants to see the communication he can, and it clears his office one way or the other?

Mr. WEISS. Not only technically, he does. He has the instruction from the President, as you know; this has had a long history and it has been repeated by every President over the last several years to my knowledge, making the Ambassador the man who is in charge of the country team. He therefore does have the fullest opportunity, though he may not literally himself do the review; but a member of his staff puts its imprint on it before it comes back.

Senator PELL. Right, and this would apply to the Defense Department and also to the Central Intelligence Agency, would it not?

Mr. WEISS. Yes, sir.

PEOPLE ATTACHED TO MAAG OVERSEAS OPERATIONS

Senator PELL. In connection with the MAAG operations overseas, you have quite a few people I think attached to MAAG, something

like better than 2,000, including 400 military people, as military attachés in various Embassies abroad.

I know we have 15 in Paraguay, 61 in Greece; 430 in Korea. I am curious if you really believe we need these 2,200 military people, most of them rather senior officers or middle grade officers, in these jobs.

Mr. DONALDSON. Let me answer that by saying this is exactly the kind of question that I am asking and hope to ask as I get into this program. I think as you move toward the sales route as opposed to the grant assistance route, it would seem logical to me that we may be able to reduce some of those numbers. So you may want to say something on what we have reduced.

Mr. WEISS. We have reduced some. This is a matter we keep under continuing review.

Now, quite obviously there is an opposite side to the coin. These MAAGs do in many places perform very important functions, primarily of a military nature, but they obviously keep a relationship with the local military of the various countries involved, which can sometimes be extremely useful to us on a political basis.

Obviously the point of where the balance of judgment comes in—because we do not want, the State Department does not want to have an excess of military personnel who really do not have genuinely useful functions to carry out in the country involved. It is not a healthy situation, and we have had repeated reviews. We have had a so-called OPRED exercise which I think you are familiar with, where not only our MAAGs but the totality of our presence overseas has undergone repeated reviews resulting in very substantial reductions in that presence of all our overseas functions, including those of the MAAGs.

Mr. DONALDSON. To put a number on that, we have reduced those groups by over a thousand in the last few years.

Senator PELL. Good, keep it up.

DANGER OF SHIFT FROM LEFT TO RIGHT

Do you see a danger here that we hold back when it comes to helping governments legally elected but of the left but we are more than willing to move in to help governments that are legally in place or in place but are from the right? This is what worries many of us who call ourselves liberals, which we used to think was the majority in America, as we see that our military assistance programs mainly are going to help governments that lean pretty strongly in the direction that we abhor.

Do you see any shift from that direction, because it is a direction that has been developing. There is nothing partisan in this. It has been developing over the past 12 years. I am wondering if it can be brought back to where we just do not interfere. We have now the idea that to interfere is not to give military assistance. I think this is like Alice in Wonderland. To interfere is to give military assistance, give military credits. That is interference.

We have reached the point now where we say that is interfering if we do not interfere. I am curious about your reaction as a new man with an objective view.

Can we get ourselves away from this Alice in Wonderland to where we realize that not to interfere means simply not to distribute military weapons around the world?

Mr. DONALDSON. I am not aware of a shift in the meaning of the word "liberal." I think that in terms of the instructions that—

Senator PELL. As a nation, I think, America has always thought itself not necessary as a revolutionary country, although we were born in revolution, but as a country that advocated liberalism and democracy. We find ourselves being gradually pushed more and more into a corner where we do not bear that emblem outside our own country.

Mr. DONALDSON. Right.

I think the fundamental rule-of-thumb here is, and must be, to look at the U.S. policy interests within that area of the world, and again as we get into this review stage, I certainly will keep my eye out for what you are implying as the bent we have on it.

I must confess I have not seen that to date myself. I am just getting into it.

Do you want to add anything?

Mr. WEISS. No, I think that is essentially correct. Our basic point of departure is to see what it is we think U.S. national interests require.

Now admittedly we sometimes have some very uneasy moments. I think Mr. Sisco, in responding to some of your questions this morning, indicated that there is occasionally some soul-searching and it is not always easy to see where that balance of U.S. interests rests. But when we basically look at the desirability or the lack of desirability of a particular program for an individual country, we have a range of U.S. interests in mind: obviously one of them is the impression that we are giving both to the people within that country and to surrounding neighbors.

That is obviously part of our totality of our interests, but it is only one, and sometimes it has been necessary, as we pointed out in reference to one or two cases earlier, where the overriding strategic interests suggest to us that it may be necessary and desirable to provide assistance to a country whose political system we wished were more liberal and more in terms of our own preferences and desires.

It is a tough balancing proposition. Senator, and, as I say, there is a lot of soul-searching. This review of our interests is what Mr. Donaldson has now directed as a result of Secretary Kissinger's direction to him that we take a real hard look. I think you are correct in asking the question now, and even more so when we come up to you with the next year's program when we will have completed our review.

Mr. DONALDSON. I might just add to that and say back again on the fundamental thrust, and one of the points that I made in my introductory statement, as we move toward the sales basis credit versus grants, I think that this puts the thing even more on an arm's-length basis and it is just in the competitive world of arms purchase as opposed to aid.

Senator PELL. Right.

IMPACT OF STOPPING CREDIT SALES TO GREECE

I submitted a bill with regard to Greece, which has passed the Senate without objection, to the effect that we should not extend credit

sales unless we are satisfied that she can meet the military obligations of NATO and also the preamble upon which it is based.

If this passes the House, which is unlikely, and is not vetoed by the President, what will be the impact on Greece?

Mr. DONALDSON. If we were to—I am not too——

Senator PELL. If we stopped extending credit sales to Greece. You mentioned credit sales in discussing the direction in which we are going.

I think there are \$5 million of credit sales contemplated this coming year. If we did not extend the credit for those sales, what would be the effect on Greece, in your view?

Mr. DONALDSON. Well, I think it would—as you know, we have moved totally away from grant to Greece and are now just on a credit basis.

Senator PELL. That is what I am saying, if we stop that.

Mr. DONALDSON. Yes. I think it would probably most assuredly impact on their ability to discharge their obligations under NATO.

Senator PELL. But do you feel they are able to discharge them now as a militarily effective force?

Mr. DONALDSON. Well, I think they are better able to do it with the aid we are giving them now and I think to take that from them would weaken them by a factor.

Senator PELL. As you say, we can discuss this for a long time because the argument can be made on the other side that it might produce a government which had more general support and do the job better.

POSSIBILITY OF PORTUGUESE USE OF U.S. WEAPONS IN AFRICA

Moving on to another country, Portugal, the insurgency movement in Angola and Mozambique is getting more and more intense. I am wondering whether it is conceivable that U.S. weapons might be used by the Portuguese in Africa or might be in the future?

Mr. DONALDSON. Well, we have limited, or attempted to limit, the weaponry that we are giving them to items that would not be appropriate for that type of warfare that is going on there.

Senator PELL. What would be an example of that?

Mr. DONALDSON. Well, I think that we have at least to date been unwilling to give weapons that would be essentially offensive in nature.

Mr. WEISS. May I add a word to that, sir?

Senator PELL. Yes.

Mr. WEISS. As a matter of fact, our provision of assistance explicitly prohibits use for non-NATO purposes. Now we do the best we can to monitor that. That, incidentally, is one of the functions that MAAG's have, of course, in the country. It is a matter that we are very sensitive to.

Senator PELL. To press you on that point, how many MAAG people are in Portugal and, of that number, how many are monitoring the use in Africa?

Mr. WEISS. In Africa, sir?

Senator PELL. That is the only place you can monitor it.

Mr. WEISS. Not necessarily; you can get some idea of where the end use of the material is going actually from Portugal, but why do we not try to get you a more direct answer?

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Senator PELL. I think I know the answer, but it would be good for the record if you would furnish those figures because the only way you can really monitor is to have somebody in Angola and Mozambique and see that American rifles are not used.

Mr. WEISS. Yes.

[The information referred to follows:]

PERSONNEL IN U.S. MAAG IN PORTUGAL AND ABILITY TO MONITOR EFFECTIVELY
AGAINST USE OF U.S.-PROVIDED EQUIPMENT IN AFRICA
[Supplied by Department of State]

There are 14 US military personnel currently assigned to MAAG, Lisbon.

We believe that our monitoring system is very effective. The Portuguese government is fully aware of our policy on use of US-manufactured weapons and equipment in Portuguese Africa and has never violated its assurance to us that those items made available under MAP or through direct sales would be used only in the NATO area.

Our Consulates General in Mozambique and Angola are alert to the use of any US arms or equipment in those territories. In addition, the African countries, the international press and the many organizations in the US and overseas which oppose Portugal's presence in Africa have a keen interest in publicizing alleged violations of our embargo. A number of such allegations have come to our attention since the embargo was imposed in 1961. Each case was investigated carefully. In no instance was evidence presented that the embargo had been violated.

KIND OF WEAPON UNUSABLE IN ANGOLA AND MOZAMBIQUE

Senator PELL. Give me an example of the kind of weapon that would be extend to the Portuguese on either credit sale or grant basis and could not be used in Angola and Mozambique. What would be an example?

Mr. WEISS. What would be an example?

Mr. DONALDSON. Certain types of aircraft.

Mr. WEISS. Certain types of antisubmarine warfare which we have given them. The P-3 is basically, as you know, an aircraft used for patrolling. Now the fact of the matter is, to be perfectly candid about it, it is practically an impossibility to say that it could not have some non-NATO use but it is provided, as the Secretary mentioned, with an eye to what the NATO requirements are. We provide P-3's for antisubmarine warfare, and I think we have a fairly high likelihood it is not going to be used for the antiguerrilla activity which has a rather marginal—

Senator PELL. I come from a State which has many Portuguese and a great love for Portugal in it, but not necessarily sympathy for the use of these weapons in Africa.

We are also conscious of the fact that Portugal was the only country that helped us at the time of the Middle East war but, nevertheless, I hope we would stand firm on not allowing these weapons to be used in Africa.

QUESTION OF NUCLEAR STRATEGY

Now I would like to come to this question of nuclear strategy for a second.

As you know, there is a good deal of discussion, about the same in a classified meeting as an unclassified meeting, about the so-called new counterforce theory and whether we ought to have new strategic weapons in order to make the nuclear deterrent more credible. This policy, as so often happens in Washington, over a period of years has

changed almost 180 degrees. Now the thought is that since nuclear war is inconceivable, you have to show some other way of using nuclear weapons that will not be total war.

In that regard, we are told that what this involves is the development of limited nuclear war.

This comes right within your bailiwick. My understanding is we have the ability now with our present nuclear weaponry to not only knock out cities and make war unacceptable to the other side, but also the ability to knock out almost every military target except for ICBM's.

What is your explanation in your job now for the change in strategy being proposed by the Pentagon and does the State Department agree with this proposal of the Pentagon?

Mr. DONALDSON. Let me begin by saying that at least insofar as a narrow definition of my job is concerned, this really is not an area of responsibility for me. We are not at the present time, under our security assistance programs, giving any nuclear weaponry under those programs. It is, however, a definite responsibility of that portion of the politico-military bureau that is not under my supervision.

I plan to, and I have attempted to make myself aware of the policy considerations in this area. But I think perhaps Mr. Weiss would be a better answerer.

Mr. WEISS. I would be very happy to give an answer.

Senator PELL. Yes. Mr. Schlesinger made a very articulate presentation of his view, but is his view shared by the Department of State?

Mr. WEISS. Yes; it is shared by the Department of State, and let me explain why that is the case. I really think there has been some misunderstanding of precisely what this policy is; and that is not in itself surprising because it is a very complicated issue.

Essentially what the Secretary of Defense intended to do in this policy, which is not a grossly new departure, it is basically an evolutionary matter, is to be responsive to the kind of concern that the President has expressed over the last 4 years in his annual policy statements for increased flexibility in his capacity to meet untoward, unpredictable circumstances.

Now, the basic intent of the new policy, I think, in some people's mind is to make nuclear war a more thinkable, a more desirable option. In really no sense of the term is that what is intended by this new policy. In fact, it is really directed toward making deterrence more effective, for the simple reason that under the prior existing policy which relied on the so-called assured destruction, the massive destruction of perhaps hundreds of millions of people on both sides, there were simply too many contingencies which could arise in which that sort of recourse would not seem credible to any sane man.

My own personal view is that it is going to be a very difficult decision indeed and I am personally glad it is a difficult decision for any statesman on either side of the ocean to resort to the use of nuclear weapons.

I do not think this new policy makes that an easy, light or desirable option for them. But I think it is true that for the whole range of circumstances, let me put it this way, which would be below the level of a

direct attack say by the Soviet Union on the United States, there are now options under this new conception which would give pause to any potential aggressor; he would have to take the prospect of feasible responses into account. That is the basic premise under which it is formulated.

ADDITIONAL FUNDING, DECLARATORY POLICY AND-EXISTING CAPACITY

Senator PELL. To bore right into that point, is it not correct that right now we have the ability to conduct such a limited operation without talking about it in advance or without any additional funding or additional weaponry?

Mr. WEISS. I think you raised several very good points and, if I may just sort of break them down, one has to do, for example, with, do we need additional funding of newer weapons and so forth?

The second is, do we need to talk about it; that is, have a declaratory policy?

And third, do we have the capacity within our existing weaponry? And I think those are all very relevant questions.

Let me try to briefly address each of them.

We have always had within our strategic planning the targeting of noncities, the so-called counterforce targets, and I am not just now talking about missile sites; I am talking about the range of targets which it would be logical, if indeed there is any logic to a nuclear engagement, to target.

I think the difficulty with previous plans of this sort, Senator, was that they were massive. Even the smallest option was very, very large indeed, and therein lay a significant problem, the question of whether that could be distinguished by an adversary as being a limited response more appropriate to the nature of the transgression that they might have committed.

So in the first instance our new planning is designed to give ourselves additional flexibility, have more options, not having the smallest option being a very, very massive one.

The second question relates to the additional funding of new systems. It is my understanding, although you will want to go to the expert in the Pentagon, although we worked very closely with them, and I would like to assure the committee that the State Department did have that opportunity right along, it is not the intent, as I now understand it, for the Pentagon to come in for massive new programs. It is basically a reprogramming, as you were implying in your comment, of what is already available to make it more flexibly responsive to the control of the executive in the particular contingency that may arise.

Finally, the question that you asked is, why did we have to talk about it? Well, the general premise, sir, is that if we articulate fairly clearly what we have in mind, if we are careful to do so in a way which does not imply that we suddenly stumbled upon a panacea to heal all of the world's military and political ills, or that we are going to rely readily on nuclear weapons, which is not the message we are trying to get across, our articulation can be useful. Rather, we hope to make clear to all our allies who, if I might digress on this point for just a second, there has been a growing concern expressed by various allies to whom we are committed that our prior strategy of a massive response

might not be applicable to the kind of threats that they face, that we have options more credible for supporting our commitments to them.

Now, you will be interested in knowing that we have had a rather favorable response so far with the articulation of this new strategy. Western Europeans can see more readily how a more limited response to an attack on Western Europe might, in fact, represent a more effective deterrent to that attack occurring.

It is precisely for these sorts of reasons, to make it clear to both allies and potential adversaries, that these kinds of capabilities exist so that they may, in fact, preclude precisely those situations from occurring, that it was felt desirable to have some articulation of the policy.

IS COUNTERFORCE REASSURANCE TO ALLIES?

Senator PELL. Do you believe that this counterforce or the emphasis on counterforce is reassurance to our allies?

Mr. WEISS. I would, if I may, sir, I would rather not—again you really should get some experts from the Pentagon here—but I would rather not typify it solely as a counterforce strategy. It is a strategy that gives a much wider range of options to the national command authorities, by far for limited responses going up the scale, if that is what the situation required. As a matter of fact, the allies, and we have had discussions with them, both private and public, have, in fact, been reassured by this because I think they believe, as we do, and I cannot emphasize this point too much, that this contributes to deterrence, to the prospect that a war is less likely to occur rather than to the contrary.

Senator PELL. I see the point that you are making, and Mr. Schlesinger has made it, very effectively, in private to our committee. Yet I find myself plagued with doubts about it.

I guess this would be a discussion we will be having for many weeks, if not months, as we move along.

STATE DEPARTMENT ROLE IN DIEGO GARCIA DECISION

Let me touch on Diego Garcia for a final question: What was the State Department's role in this decision?

For example, prior to moving ahead, was any thought given to exploring with the Soviet Union the possibility of demilitarizing the Indian Ocean?

Mr. DONALDSON. I did not participate in any discussions of that sort myself.

Senator PELL. I think Mr. Weiss did, though.

Mr. DONALDSON. If I could ask Mr. Weiss.

Mr. WEISS. Yes, sir; I did.

As I know that you are aware, in early 1971 the Soviet Union raised some questions which suggested to us that they may have had in mind the prospect of some degree of arms limitation in that area of the world. We rather rapidly followed that up to see just how deep and extensive this intent was, and to be perfectly candid about it, we did not get a very positive response.

Now, I would like, however, to relate that more directly to your question on Diego Garcia.

As we viewed it, and by "we" I do mean the State Department, working with Defense, the development of the facilities at Diego Garcia is in and of itself in no way inconsistent with developing an arms control arrangement with the Soviets. It is essentially a facility to allow deployment and we believe if there were subsequently to be agreements with the Soviet Union, it would be on the question of the size, the nature and so forth of those deployments.

The facility at Diego Garcia which we do have in mind expanding is designed to give us essentially a capacity roughly comparable to what the Soviets already have.

I believe Secretary Sisco mentioned to you this morning that, by a variety of measures—ship days is one such measure that we utilize—the Soviets have a presence about four times ours. Ship days is not the only or possible reliable measure, but in terms of the composition of the force, the size and so forth, the Soviets' continuous presence in the area has been growing. We have looked rather deeply into all of these. Since 1968 when the Soviet Union first came into the area, its presence has grown very, very substantially while ours has remained essentially unaltered. So what we basically are looking for in the Diego facility, Senator, is the capacity to permit deployment, if decisions are made to deploy forces, so that those forces may be efficiently, economically serviced.

If it should turn out that at some future date the United States and the Soviet Union find it possible to reach an agreement on limiting forces, I would give it as my own personal estimate that it is unlikely such a limitation would go down to zero because we have very important interests which preceded the Soviet Navy in this area. Those interests would continue to exist.

You have had extensive discussions throughout this day on the importance of the oil. Ninety to a hundred percent of the oil going to Japan and to our European allies comes from that area so there are important interests that we have quite independent of the Soviet Union, and I therefore think that the facility, the capacity to deploy comparable to what the Soviets already enjoy in that area of the world is logical and reasonable. I think I could even argue, although I recognize that reasonable difference of view on this would certainly be possible, that it could even facilitate having an arms control agreement.

OBJECTIONS OF BORDERING NATIONS TO DIEGO GARCIA PROPOSAL

Senator PHIL. As you suggest, there are grounds for argument here because the riposte can be that we already have certain facilities in that part of the world, in Ethiopia, that we have the size of the vessels that are involved and that you have an aircraft carrier which is probably larger than Soviet vessels. Also, there is the interesting reaction of the bordering nations, because my recollection is that New Zealand which is not bordering, Australia which is, India which is, and there is one other whose name I forget, all objected to our moving ahead with this proposal.

Do you have any views why the people who would be most affected would not share your belief in the advisability of the system?

Mr. WEISS. You are correct.

A significant number of the nations have expressed reservations concerning the wisdom of this action; however in fact, sir, our analysis suggests that it was somewhat milder than we had anticipated before the public announcement was made.

There are a variety of reasons explaining this. I am sure, and I want to be careful not to cast any aspersions upon the motivations, I am sure that they are in many cases idealistic and highly motivated. The fact of the matter is, as you know, for example, Sri Lanka offered a nuclear free zone proposal in the Indian Ocean, a zone of peace. I have forgotten the exact nomenclature. That has come up in the U.N. three times and almost all of the major maritime powers, interestingly enough, including the Soviet Union, Britain, France, and so forth, and ourselves have abstained from such a resolution.

I think, sir, this is simply a reflection of a difference of view about what the practicalities of this world are. It would be very nice if not only the Indian Ocean but other oceans as well could be kept entirely neutralized, entirely free.

I think as long as there are important interests that we have, that others have, there probably will be naval forces in those areas. This has certainly been historically a role which naval force has played. We hope that it can actually contribute to stability. But we certainly have no intention of threatening the littoral states. To the contrary, we hope that our presence there stabilizes it.

Senator PELL. Thank you. This is an area in which you have presented your view very articulately. We will just have to agree to disagree.

It is a basic concept of whether America should be the dominant force in every ocean in the world except the Arctic and the Antarctic. I would think that to be the dominant force in one or two should satisfy us, but this is a question that, as you pointed out, we will not agree on here.

There is a vote going on on the other side so I will have to recess this hearing. I would thank Mr. Donaldson and the State Department witnesses for coming up today.

[Additional questions for the record and State Department responses follow:]

ADDITIONAL QUESTION OF SENATOR GALE MCGEE AND STATE DEPARTMENT RESPONSE

Question No. 1. In studying the Department of State authorization request for fiscal year 1975, I was very disturbed to note that on page 35 of the presentation, only \$110,000,000 had been requested for the United Nations Development Program. It is my understanding that of that total amount requested, \$19.5 million is to be used to "pay back" sums taken from the fiscal 1974 authorization which allowed us to make a \$90 million contribution to UNDP in calendar year 1973.

My concern stems from the fact that our proposed contribution to UNDP in both calendar years 1974 and 1975, reduces the U.S. participation in that program to 20.3 percent of the total contributions.

Last year, the Committee on Foreign Relations noted in its report on the Foreign Assistance Act of 1973 that:

The Committee is gratified with the resolution of the last General Assembly which endorsed the principle of a 25% ceiling on the U.S. contribution to the United Nations regular budget. However, a reduction in our contribution to UNDP, following the same principle, might cause many governments to reconsider their support for reducing the U.S. contribution when the report of the Committee on Contributions is submitted to the General Assembly for final approval in the fall. To many other governments, our sup-

port for UNDP serves as an indication of our continuing commitment to multilateral cooperation for development. Since 1970, the contributions of other governments to UNDP have increased by more than 46%. Thus the Committee considers it most important for the United States to maintain its generous support and is pleased with the apparent direction taken by the Administration following the recommendation of the Lodge Commission which stated:

"That our contributions to the United Nations voluntary programs be increased by an amount at least corresponding to our reduction in assessed contributions."

Therefore, in light of the explicit intent of the Committee that the 25% ceiling should not apply to UNDP, I would like to know the reason for allowing our contributions to fall as low as 20.3% in calendar years 1974 and 1975.

I believe UNDP is indeed vital to our effective participation in the United Nations. It always has been, and will continue to be, a measuring stick used by the developing nations as to the seriousness of our participation in that institution. At a time when other industrialized nations are increasing their participation in multilateral programs, the U.S. continues to lag further and further behind. Therefore, I would urge the State Department to give the Committee a revised request for UNDP which would not only allow the \$19.5 million "pay back" but would also bring our contributions to the program to a level of 26 or 27 percent.

Answer. The figures that you have cited with respect to the UNDP amounts and percentages for FY 1974 and 1975 are not requests under the State Department Authorization Bill. They are part of an information paper provided for the Senate Foreign Relations Committee to give the Committee an idea of the totality of U.S. contributions to international organizations and programs regardless of the source of the authorization and appropriation. The material was prepared early in January and represented a hypothetical extension of the \$90 million level for purposes of projecting the estimated percentages that would prevail on that basis.

As you may recall the UNDP contribution is financed from FAA appropriations which have already been authorized under the Foreign Assistance Act of 1973 (Public Law 93-189) as part of the item titled "International Organizations and Programs". Under this item (United Nations Technical Assistance and Other Programs) the President's budget contains an amount of \$153.9 million which is being requested by AID and, of which, \$110 million is for the UNDP. As you point out, \$19.5 million of this amount will be utilized in calendar year 1974 in order to bring our total 1974 contribution to \$90 million. In presenting our request, however, we shall recommend that the United States contribute \$100 million to the UNDP in 1975. This would necessitate utilizing \$9.5 million from FY 1976 funds.

Our best estimate of other governments' contributions in 1975 indicates that \$100 million would represent between 22.6 and 24.3 per cent of total contributions. If we wished to assure that the U.S. contribution would rise to at least the 25 per cent level in 1975, approximately \$110 million would be required.

ADDITIONAL QUESTIONS FOR THE RECORD AND RESPONSES OF STATE DEPARTMENT

Question No. 1. How does the Department characterize the importance of the salinity agreement in terms of our relations with Mexico?

Answer. During the twelve years between 1961 and 1973 the question of the salinity of the Colorado River water being delivered by the United States to Mexico under the 1944 Water Treaty was the most serious problem between the two countries. It was described in 1962 by a Mexican official as the most serious problem to arise between the two countries in two decades. Although the United States took emergency measures at once to reduce the salinity of that water, and although the salinity never again reached the level that Mexico protested in 1961, the salinity of the water delivered to Mexico remained throughout that period much higher than that delivered to our adjoining U.S. users. It was therefore a cause of public recrimination, charges of alleged damages, and efforts toward a permanent solution. Since March 22, 1965, when the International Boundary and Water Commission concluded Minute No. 218, the United States has been delivering water in accordance with the terms of agreements reached with Mexico, but it was recognized then, and in subsequent agreements, that they might not result in a final resolution of the problem.

The importance of the salinity settlement in relations with Mexico was conspicuously underlined when President Echeverria spoke before the Congress in June 1972. He described the problem as most delicate, and called upon the country that could send men to the moon to find a solution to this problem with its neighbor. This President Nixon said he would try to do, and appointed Herbert Brownell, a former Attorney General, his Special Representative to recommend a means of solution before the end of the year. Mr. Brownell submitted recommendations to the President on December 28, and succeeded in reaching the agreement with Mexico on August 30, 1973.

The agreement brings this unhappy period to an end in a manner notably offering considerable advantages in our foreign relations. It contributes to an improved future for the residents of Mexico's Mexicali Valley where the Colorado River waters are used. It demonstrates our will and ability to find constructive ways to resolve bilateral problems. It avoids the alternative of international adjudication with the attendant uncertainties, delays, and other disadvantages which both Governments did not want to experience.

The Department most sincerely commends Mr. Brownell and Foreign Secretary Rabasa of Mexico in concluding so constructive an agreement, and urges its implementation by the Congress. There are furnished for the Committee's records a copy of the Department's letter to the President of the Senate reporting the conclusion of the agreement and recommending draft legislation to authorize its implementation, and copies of the reports and other documents enclosed with that letter.

Question No. 2. Why has it taken more than a decade to arrive at a "definitive and permanent" solution to the salinity problem? Was the technology available in the early 1960s to solve this problem?

Answer. The delay was largely occasioned by the efforts of the two Governments to devise and assess other compromise arrangements, all of which proved to fall short of what they could agree upon as permanent and definitive. This Government, and our people who would have been affected, were not prepared in the 1960s to accept the terms that have now been agreed upon. The terms the Governments did agree upon in 1965 for a period of five years were widely criticized.

Fortunately, both time and technology were on the side of a permanent and definitive solution. The technology now recommended to the Congress did not exist in practical degree in the early 1960s. That which did exist would have been too expensive to have been adopted at that time. Even now the required measures are very costly, but they do offer the most cost-effective means of solution and every effort will be made in the course of design to keep the cost at a minimum.

Question No. 3. Although the salinity agreement was signed August 30, 1973, implementing legislation was not submitted to Congress until February 1974. What accounts for this delay, particularly in view of the fact that the Executive Branch made a commitment to the Mexican Government to begin implementation of the agreement by July 1, 1974—subject to Congressional authorization?

Answer. There were at least four basic reasons for this delay. In the first place, the Interior Department, which was necessarily responsible for much of the investigations and studies required to support the means of implementation, could not begin its work in earnest until practically certain of the nature of the agreement that was to be concluded. Secondly, because implementation required costly public works, the Interior Department had to prepare the voluminous feasibility and environmental studies that practice and law require for the justification of such undertakings. One of the works is the largest desalting plant in the world, which entailed among other investigations the construction and operation of field laboratories near the site of the proposed plant. Thirdly, although the draft bill presented to the Congress takes a short form, considerable time was also required to determine what had to be included in the bill, and what need not be included. Lastly, the Executive Branch felt impelled to discuss and consult regarding these and other matters with the Colorado River Basin States, which have so intimately worked with the Department and with Mr. Brownell in the development of the solution, and which would be so extensively involved in its implementation. It will be noted that the proposed implementation includes the conclusion of a contract with an irrigation district in southern California, and close and continuous work, as well as modification of an existing contract, with an irrigation district in Arizona. The possibilities of working out these arrangements with those districts had to be thoroughly explored. These four factors occasioned most of the regrettable delay. All were anticipated, but all took more time than was anticipated.

Question No. 4. Why has the Executive Branch requested authority to implement the salinity agreement in two separate pieces of legislation, namely the State Department authorization bill and S. 3094 (To authorize the measures necessary to carry out the provisions of minute numbered 242 of the International Boundary and Water Commission, concluded pursuant to the Water Treaty of 1944 with Mexico (TIAS 994), entitled "Permanent and Definitive Solution to the International Problem of Salinity of the Colorado River), which is not before the Committee?

Answer. The reasons for what appears to be duplicatory authorization are presented in the attached paper.

The measures do overlay to the extent that both would authorize implementation of the agreement with Mexico, the authorization bill in very general terms, and S. 3094 in specific terms. They are actually complementary, however. The Department, in recommending them, expected S. 3094 to be enacted first and to authorize all measures required to implement the agreement, and the general authorization bill afterward to authorize the funds required for appropriation at this time. The former is needed to authorize the entire program; the latter was proposed in accordance with the practice followed by the Department in responding to the desire of the Committee on Foreign Relations to review all of the Department's requests for appropriations each year.

S. 3094 is needed to authorize important features that are not included in the \$94 million authorization proposed in the authorization bill, namely, conclusion of a contract with the Coachella Valley County Water District of California, and possible acquisition of lands in Painted Rock Reservoir, as well as to specify all the measures that are included in the \$94 million authorization.

The Department hopes, therefore, that the Interior and Insular Affairs Committees, to which the Administration's draft enabling legislation was referred, will report and the Congress enact enabling legislation quickly, so that this Government will be able to provide Mexico with improved water at least by June 30, the latest date specified in the agreement by which it was expected to become effective.

The Department of State believes that under the Water Treaty the U.S. Section has primary responsibility with respect to the implementation of the agreement. The treaty provides in part: That "works constructed or used on or along the boundary, and those to be constructed or used exclusively for the discharge of treaty stipulations, shall be under the jurisdiction of the Commission or of the respective Section . . ." In carrying out the construction of such works, the Sections may, the treaty further provides, utilize the services of public or private organizations in accordance with the laws of their respective countries. Therefore, because the proposed works and measures are along or on, or actually crossing, the international boundary, and because they are intended almost exclusively for the discharge of treaty obligations, the Administration's draft enabling legislation would assign jurisdiction to the U.S. Section. The Section would plan to utilize the Department of the Interior in the performance of most of the work. Accordingly, the Department's draft authorization bill before the Committee assumes that the Congress will assign jurisdiction to the U.S. Section, and would authorize the appropriation of \$94 million to the Department of State for the use of the U.S. Section. There are, on the other hand, bills before the Congress, H.R. 12165 and S. 2940, that would assign primary responsibility to the Department of the Interior.

Question No. 5. To what extent is the salinity agreement in accord with recognized principles of international law? Please identify these principles and specify their application in this case.

Answer. The applicable law is not clearly defined. This is one of the reasons for the prolongation of the problem with Mexico.

The authority of the International Boundary and Water Commission to resolve the problem is definite. Article 24 of the Water Treaty gives the Commission authority, *inter alia*, "to settle all differences that may arise between the two Governments with respect to the interpretation or application of this treaty, subject to the approval of the two Governments." The salinity problem does in fact involve such a difference between the two Governments. Such a settlement is, of course, subject to the authorization by the Congress of any funds necessary to implement the settlement. The Senate's resolution of advice and consent to the 1944 Treaty specifically requires the prior approval of the Congress for any works or other expenditures not specifically provided for in the treaty. The Department is now seeking that approval.

In searching for a solution, however, the Commission was confronted by the fact that the Water Treaty does not itself settle the ultimate question of water quality, although it contains indications of the intent of the Governments in this respect. We believe that a settlement with Mexico in which the U.S. agrees to maintain the salinity of Colorado River waters delivered to Mexico within 115 ppm of the salinity at Imperial Dam can be justified as coming within U.S. obligations under the 1944 Water Treaty. This conclusion is based in part upon the belief that an international tribunal, if seized with the issue, in today's circumstances and taking into account the increasing concern for the world environment, might conclude that U.S. operations which resulted in delivery to Mexico of water of substantially poorer quality would not be consistent with the requirements of international law, which, in the absence of specific provisions in the Water Treaty, must be taken into account. These requirements have been variously stated and involve two developing areas of law, the general duty of States to abate polluting activities that harm the environment of their neighbors, and the particular duty of upper riparian States to refrain from uses of Basin water incompatible with equitable uses by other riparian States.

DEPARTMENT OF STATE,
Washington, D.C., March 7, 1974.

MEMORANDUM

Subject: Authorization for implementation of the Salinity Agreement with Mexico.

In accordance with Section 407 (b) of the Foreign Assistance Act of 1971 (86 Stat. 20), the Department submits annually to the Congress a draft bill to authorize appropriations for the Department of State to carry out its authorities and responsibilities in the conduct of foreign affairs of the United States.

In complying with this requirement, the Department of State, even though not required by the terms of the law, has been following the practice of including in its annual authorization bill all funds being requested for a given year, regardless of the date when their appropriation was authorized. We recognize that the practice of including 1972 and subsequent authorizations results in duplicatory authorization and is probably not desirable. We do not propose to follow this sometimes duplicatory practice in the future.

We did not want to make a change in the practice this year, however, when a sum as large as \$94 million is involved, and when the Committee might want to pass in this manner on a very important but costly undertaking. Accordingly, when the Department submitted to the Congress on February 7 a draft bill exclusively designed to authorize specific measures for implementation of the salinity agreement with Mexico, the Department concurrently included a line item in the Department's annual authorization bill. The Department added in its section-by-section analysis of the bill a relatively detailed explanation of what the salinity agreement required in the way of public works and other measures.

It was anticipated that the Congress would probably act on the specific bill before it acted on the annual authorization bill, and that there would be nothing incongruous in the latter bill authorizing for Fiscal Year 1975 the appropriations that were also authorized in the specific bill.

Recognizing the similarity between the two bills so far as the salinity agreement is concerned, the House Committee on Foreign Affairs is understood to have agreed with the House Committee on Interior Affairs, to which the specific bill was referred, that the former, in its consideration of the annual authorization bill, would not hold hearings on the subject of the salinity agreement.

Senator Jackson has introduced by request the Department's draft specific bill, which is identified as S. 3094. It was referred to the Senate Committee on Interior and Insular Affairs.

HEARING PROCEDURE

Senator PELL. We have one more witness, the American Foreign Service Association. In this regard I would hope that a State Department representative could stay behind. I would not try to get you into

an argument with AFSA, but I would like someone to stay to take any requests back to the Department or give any factual information I may need as AFSA makes its presentation.

The hearing is recessed for 10 minutes.

[Short recess.]

Senator PELL. The committee will come to order.

I regret the delay in reaching the American Foreign Service Association, but that is just the way the cookie crumbled today. I would suggest that Mr. Boyatt and his colleagues come up.

I welcome you very much indeed and hope that you will introduce your colleagues. I know you will probably highlight your statement.

STATEMENT OF THOMAS D. BOYATT, PRESIDENT OF THE GOVERNING BOARD, AMERICAN FOREIGN SERVICE ASSOCIATION; ACCOMPANIED BY ALLEN HARRIS, LOIS ROTH, AND HERMAN COHEN

Mr. BOYATT. Mr. Chairman, my name is Thomas Boyatt, and I am a Foreign Service Officer from Ohio.

On my right is Tex Harris, Foreign Service Officer from Texas. On my left Lois Roth, Foreign Service Information Officer from New Jersey; Hank Cohen, Foreign Service Officer from New York.

I would like to thank you, Mr. Chairman, on behalf of the 11,000 men and women of the Foreign Services and three foreign affairs agencies for this opportunity to appear before you.

As you can see, our audience has wilted, it has been a long day, and if you would order it, sir, I would appreciate it if I might have my statement just placed in the record and then I could save the committee's time and merely highlight the point we want to especially bring to your attention.

Senator PELL. Thank you very much.

Mr. BOYATT. Thank you, Mr. Chairman.

Mr. Chairman, the Association, as you know, for over 50 years has represented the professional interests of the employees of the Foreign Service. Last year we won elections against the American Federation of Government Employees to achieve the exclusive and sole right to represent the men and women of the Foreign Service and their employee concerns, and it is in these two dimensions that we appear before you today.

LEGISLATIVE ACTIONS COMMENDED

Before getting to the business at hand, I would like to take this opportunity to thank you personally, this committee in particular, and the Congress in general, for several constructive legislative actions which were enacted last year.

First of all, the Congress has extended Foreign Service retirement benefits to AID people, which we think alleviates what had been a basic inequity in that system, and also constitutes wise public policy since it will induce AID employees over 60 to retire rather than to wait until 70 to retire, which was the case under the previous law.

We are especially pleased that the Congress passed the Pell amendment to the Foreign Service Act which, of course, you are very familiar with, which requires the Secretary of State and the Director of

USIA to base their recommendations for promotion on the impartial selection board findings.

This action eliminated a major loophole in the Foreign Service Act which former Director of USIA Shakespeare attempted to use to undermine the concept of promotion by merit, and has had a profound impact on both the morale of the Foreign Service and its operation.

Finally, we were pleased and grateful to the Congress for authorizing education allowances for kindergarten schooling for Foreign Service children abroad. The lack of such allowances was very costly for Foreign Service people for this type of education which is provided to almost all American children free.

If I might, Mr. Chairman, I would like to turn to several problem areas which the association would like to raise with you today. There are seven.

APPOINTMENT OF NONCAREER AMBASSADORS

The first is the appointment of noncareer ambassadors.

Mr. Herbert Kalmbach's admission that he was proffering ambassadorships for sale in return for political contributions has focused attention on the whole question of the criteria for ambassadorial appointees. Last summer this committee proposed a series of guidelines for its own use in assessing ambassadorial appointees. The association strongly supported this initiative and commented in detail on the proposed guidelines.

We appreciate the fact that one of our suggestions, mandatory disclosure of political contributions, was enacted into law, but we frankly feel, sir, this is not enough.

Now clearly the association has a parochial interest in this question. Those posts which are not filled by noncareer ambassadors will be filled by career people. But I want to assure you that this self-interest factor is not the only ground for our concern, and it certainly is not the most important of our concerns.

The fact is that almost all political appointees, without professional qualifications, have failed to make any positive contributions to the conduct of American foreign policy and, indeed, several of them have actually done great damage to our relations with other countries.

We want to make the point that we are raising this issue also because it is destructive of the foreign policy concerns of the United States.

Finally, and speaking as citizens, we also feel quite strongly that high offices, any high office of the Government, and certainly the high office of ambassador should not be given in return for political contributions. This is a question of the credibility, of the integrity of the Government as a whole.

I would like to make the point on this issue that the association differentiates between those individuals from the private sector who are nominated to ambassadorial posts who have obvious outstanding experience and accomplishment to their credit which would recommend them for this kind of service.

However, we do believe that only the best qualified individuals, whether career or noncareer, should serve as ambassadors and, therefore, we strongly urge the committee to take the following actions:

First, to issue the guidelines which the committee proposed last summer for its own use in assessing the qualifications of individuals to be either ambassadors or ministers.

Second, to amend 22 U.S.C. 910(a), which calls for the disclosure of campaign contributions by nominees and their immediate families by adding the following sentence:

The report of contributions as filed with the Committee on Foreign Relations of the Senate and the Speaker of the House of Representatives shall be published in the Congressional Record.

And to further amend the same section by adding a new subsection (c) as follows:

Persons who, together with members of their immediate families, have contributed more than \$15,000 as defined by Section 301(e) of the Federal Election Campaign Act of 1971 shall be ineligible for consideration as ambassadors and ministers.

Mr. Chairman, we believe that the prompt adoption of these measures is essential to the efficient conduct of American diplomacy.

PERSONAL HARDSHIP BORNE BY FOREIGN SERVICE PEOPLE

The second item I would like to raise is the personal hardship that is borne by Foreign Service people. That has to do with the separation of Foreign Service parents and their children. This is a very human concern for us. As good Americans, we naturally want our children to have American educations. However, under present law, the Government will pay for only one round trip every 4 years for dependent children who are going to school in the United States to travel to the post abroad where their parents are serving.

As you can see, the parents and the children in this kind of situation are faced with an untenable and rather tragic choice of either not seeing each other for periods of 2 years year or longer, or having to pay full international round trip fares once a year, which to some posts run into the hundreds, even the thousands of dollars, or not having an American education at the secondary or college level.

In the case of parents with more than one child, the expenses just go out of sight, and we feel, sir, that they are heavy and unfair burdens which arise solely because our Foreign Service people are serving abroad.

In our view, Foreign Service parents are penalized simply by the fact that they are separated from their children—often by enormous distances—simply because American caliber high school and college facilities at their post of assignment are inadequate or nonexistent. To compound this personal hardship by a choice of long separation or major financial outlay or damage to the children makes the present situation completely unfair in human and financial terms.

We are proposing that you alleviate this situation. We respectfully request and strongly urge that you incorporate in this bill an amendment to section 5924(4) (b) of title 5 United States Code to read:

The travel expenses of dependents of an employee to and from a school in the United States to obtain an American secondary or undergraduate college education not to exceed one annual trip each way for each dependent for the purpose of obtaining each type of education

RETIREMENT AFTER 20 YEARS' SERVICE

The third item, Mr. Chairman, is an item which was discussed during the hearings on the retirement legislation, and this is the question of retirement after 20 years of service.

You are aware of our view that the Foreign Service must identify its best young talent and move these individuals forward at a rapid rate. I know this is a goal that you and the Congress and the Secretary and the association all share.

The problem is that the Foreign Service is getting older each year and each year individuals remain longer and longer in grade. The association believes that the best and most effective way to alleviate this situation is to provide legislation which would grant a limited form of 20-year retirement for Foreign Service people.

I want to make it clear, sir, that we are not seeking the kind of 20-year retirement that is presently granted to military people. What we propose, and I have the draft legislation as an attachment to my statement, is a limited 20-year retirement system in which people would retire with the same annuity to which they would otherwise be entitled, that is to say, 40 percent of the high 3 years, and a system in which the people receiving retirement would continue to make contributions.

On the basis of our studies, and we are not actuarial professionals, but on the basis of our studies we believe that this proposal would actually be in the financial interests of the Government because employees leaving after 20 years would draw far smaller annuities than they would draw if they stayed for the full term, until they reached age 50 as is presently required.

The cost to the Retirement Fund for most individuals who chose this option would be less than at present, and we believe that this happy combination of a means of insuring the vigor and vitality of the service and saving the Government money is worth looking into very seriously.

GRIEVANCE LEGISLATION

Fourth, on the question of grievance legislation, as you know, the Senate, as part of the State authorization bill last year, passed the Bayh-Cooper bill guaranteeing basic rights of due process for Foreign Service employees for grievance and appeal hearings.

Because House conferees wanted the association and administrative management of the agencies to see if they could work out a joint legislative proposal, we have under that mandate been negotiating for over a year, since last February, to see what we could come up with. Until very recently the agencies have adamantly refused to discuss such legislation.

However, with limited optimism, I am happy to report that the State Department's administrative leadership which has been changed, as you know, and which I think is reacting to pressure from the Senate and the House, has informed us that they will make major substantive proposals on the grievance system and particularly on joint legislative proposals within the next week. Consequently, we are not today proposing anything in the grievance area. We will try to work out a joint legislative proposal. The only caveat I would like to mention is this. If the agency's actions do not square with their promises to us, then we will return on an urgent basis to both the Senate and the House

to request legislative due process guarantees in this area for Foreign Service people.

Senator PERL. I would like to emphasize, speaking at least for myself, as a member of the committee, that we applaud you in this direction. We in the Senate would much prefer to see it done by administrative action because this is the way it should be done. Otherwise it can set the tone for having a separate grievance procedure in law for a variety of services, the Coast and Geodetic Survey, the different branches of the Park Service. This obviously is not desirable.

At the same time, the inequities that have been brought out, highlighted by the death of Mr. Thomas, and the other points that have been raised by the Foreign Service Association, seem eminently sound. I would hope that the Department and USIA would move ahead and reach some kind of agreement because, quite frankly, if they do not it leaves us with no alternative but to do it through legislation. The Department ignores these warnings sometimes, and it means we use a sledge hammer to drive a relatively small tack in the wall. This happened in other instances with which I have been acquainted within the last few years. I would hope the Department would bear in mind that the alternatives to reaching an agreement is legislation.

Mr. BOYATT. Thank you, Mr. Chairman. For our part we will certainly do our very best along these lines.

STRENGTHENING FOREIGN SERVICE PROFESSIONALISM BY IMPROVING
LANGUAGE COMPETENCE

The fifth item that I have, sir, is the matter of strengthening the professionalism of the Foreign Service by improving language competence. The Association believes that it is appropriate for Foreign Service personnel to be subjected to strict and demanding professional criteria in regard to language capability as well as in other areas. The view of the Congress on this subject is a matter of record. It is well known that to the maximum extent possible the Congress feels that Foreign Service people assigned abroad should speak the language or the dialect of the area in which they are serving. Unfortunately, neither the Department of State nor USIA has responded to this to the degree that we feel they should have.

Illustrative of the situation, if I might just read section 573 of the Foreign Service Act which states that:

The Secretary shall designate every Foreign Service Officer position in a foreign country whose incumbent should have a useful knowledge of a language or dialect common to such country. After December 31, 1963, each position so designated shall be filled only by an incumbent having such knowledge.

Well, Mr. Chairman, in 1973, a full decade after this requirement, a study was done of the situation by GAO, which showed that only 50 percent of language positions were filled by language officers. I am sorry to report that the bureaucratic response was just that, it was bureaucratic. Rather than increasing the language proficiency in the Service a new survey was taken reducing the number of language designated positions to the extent that now the degree of fulfillment is 75 percent but at the same time obliterating the intent of the Congress in this area.

As the committee may be aware, junior Foreign Service Officers entering the Service by the competitive examination route are limited:

to one promotion until they get off language probation and they get off language probation by passing a test demonstrating that they have competence. At the same time there are other officers who come into the Service laterally at higher ranks who are not subject to this requirement. What we are suggesting, Mr. Chairman, is that everybody be treated equally in this regard, and what we would propose is a change in section 578 which would add a section (b) which would state:

No Foreign Service Officer or Foreign Service Information Officer subsequent to June 1, 1974 may receive more than one promotion unless such officer has attained such minimum competence in a foreign language as the Secretary, by regulation shall prescribe.

Our purpose here is to utilize this as a method of pressuring the managements of the agencies to upgrade the language capability of the Service as desired by us and as intended by Congress. At the same time, we would ask you to give a very serious look to the question of increasing the appropriations for the Foreign Service Institute to carry out this program.

EXTRAORDINARY COSTS FOR CERTAIN STAFF CORPS MEMBERS

The next item, Mr. Chairman, is the question of extraordinary costs for certain staff corps members. This is a problem that does not affect very many people in the Foreign Service, but when it does it affects them in very serious ways. The problem is that in certain countries diplomatic privileges are not granted to staff corps secretaries and communicators. What happens in a case like this is that those persons at the lower financial end of the Foreign Service scale are required to either do without automobiles as a for instance, or pay 100 or 200 percent in import duties or alternately to pay \$150 to \$300 a year for a license. We think it is extremely unfair for staff people to be subject to this kind of discrimination. The Department has attempted to alleviate the problem by seeking greater reciprocity from foreign governments, but this simply has not worked. What we would suggest is an amendment to title IX of the Foreign Service Act which would—I have the language in my statement. I will not read it, but it would give the Secretary the authority to grant allowances which would cover these kinds of extra added costs.

The number of people affected would be small and it would not be a severe financial burden, but it would certainly make the Service a good deal fairer in the financial sense.

TERRORISM DIRECTED AGAINST FOREIGN SERVICE EMPLOYEES

The sixth item on our agenda is one that we raised last year, the question of terrorism directed against Foreign Service employees.

Unfortunately, recent years have seen an increase in the use of terrorism as a political weapon and our people have suffered kidnappings, murders, hijackings, and other terrorist attacks which grow in unprecedented rates. In the past 4 years there have been 24 kidnapping attempts against the Foreign Service; 10 people murdered, and 12 wounded and several of us, and unfortunately, I include myself in that number, have been skyjacked and had planes blown up under-

neath us, and we have a very intense and real understanding that terror has come to be a daily part of Foreign Service life abroad in great areas of the world. Unfortunately, the benefits available to Foreign Service people and their families who might be killed or disabled because of this kind of activity are shockingly inadequate in comparison with other services which do serve in dangerous areas, and I have attached to my statement as attachment B a bill which would provide benefits to compensate in this area.

USIA AUTHORIZATION

Finally, Mr. Chairman, I would like to comment briefly on the question of the USIA authorization which will be before this committee.

As you know, as a result of the efforts of this committee a new commission entitled "The Commission on the Organization of the Government for the Conduct of Foreign Policy," the Murphy Commission, has been established by law and is currently effectively carrying out its mandate. One of the major tasks before that group is to make major recommendations concerning the future roles of the foreign affairs agencies, including USIA.

We in AFSA are giving this matter intense consideration, both in respect to the broad mandate and with respect to the major question of how we believe that the future of the information and cultural affairs functions should be handled in diplomacy.

A committee of the Association composed of active USIA members is currently preparing a detailed report on the entire range of questions dealing with the role and mission of USIA, and perhaps more importantly, how the public affairs functions of the U.S. Government abroad can most efficiently be managed to serve our national interests. This committee has not yet completed its work.

However, there are certain preliminary conclusions which I would like to share with you which may be of help to you in your considerations in the weeks ahead.

USIA was largely the creature of cold war concerns. In an era of negotiation, changes in the mission and modes of operation of the Agency are not only desirable but essential. Nevertheless, the tasks of explaining American foreign policy and of improving cultural relations continue to be important elements in the overall framework of American diplomacy.

The entire operation and structure of USIA are overdue for major reform. The AFSA committee is investigating a number of options for the future, among them a complete top-to-bottom reform of all aspects of the Agency's work, an amalgamation of the USIA and the State Department along the lines of the Brookings recommendations, and the establishment of a quasi-governmental organization to carry out the bulk of USIA's and CU's [Bureau of Education and Cultural Affairs] functions. To date we do not know which of these or other options would best serve the national interest, but we can inform the committee that among many career professionals from the information and cultural fields and in the foreign affairs community in general, there is almost no sentiment for maintaining the status quo and a very strong sentiment for serious change.

Finally, in recent years and particularly since 1967, there has been an unhealthy trend toward trimming overseas operations with no corresponding reduction in the Washington bureaucracy. We believe this is a serious miscalculation of priorities, that it ought to be the other way around. While there can be sincere and meaningful disagreement as to what the mission of the Agency is, there can be no disagreement that the people that we, as a country, should be reaching abroad are the intellectuals, the media representatives, the educators, students, artists, business and labor leaders and government officials who in fact mold public opinion abroad. The proper place to carry out the USIA mission is overseas, not in the Washington-based bureaucracy. We urge the committee to give careful consideration this year in its authorization process to reversing this trend of recent years and to provide USIA with adequate funding to carry out its tasks but with far more money for overseas operations and with considerably less to support the Washington management base.

In closing, Mr. Chairman, let me end where I began. We represent 11,000 Foreign Service people on behalf of ourselves and on behalf of all of them and I would like to thank you for this opportunity to make our views and positions known to you and to this committee. [Mr. Boyatt's prepared statement and attachments follow:]

PREPARED STATEMENT OF THOMAS D. BOYATT, PRESIDENT OF THE GOVERNING BOARD, AMERICAN FOREIGN SERVICE ASSOCIATION

The American Foreign Service Association is the professional organization of the more than 11,000 men and women of the Foreign Service in the Department of State, AID and USIA. Our 7,000 members come from all ranks in all three Agencies.

Last year, the Association defeated the American Federation of Government Employees (an AFL-CIO affiliate) by large margins winning the right to be the exclusive employee representative of all Foreign Service personnel in dealings under Executive Order 11636 with the managements of the Department of State, USIA and AID. I am pleased to be able to report to this Committee that through negotiations with management the Association has been able to bring about some important reforms in the Foreign Service—a goal I know the Congress shares with us. Among the reforms achieved are a substantial improvement in the promotion process in all three Agencies, greater equity for those identified for selection-out in State and USIA, and an important new agreement with the Department of State to safeguard the promotion process from tampering or abuse. I do not want to present you with an overly optimistic picture of the state of employee-management relations in the three Foreign Affairs Agencies: A great deal more must be done before we will have established personnel policies and procedures which are not only fair and equitable to Foreign Service personnel, but which are also attuned to the needs of this country for the best possible representation of its interests abroad. However, we have made a start.

Before moving on to new items, I would like—on behalf of the Association and the entire Foreign Service—to take this opportunity to thank you, the Congress generally, and this Committee specifically for several constructive legislative actions enacted last year.

The Congress extended Foreign Service retirement and annuity provisions to career AID employees. This measure not only served to eliminate a long-standing inequity, but at a time when AID is rapidly shrinking, also constitutes wise public policy by permitting the accelerated retirement of a number of senior AID employees.

We were especially pleased that the Congress enacted the "Pell Amendment" to require the Secretary and the Director of USIA to base their recommendations to the President for promotion of Foreign Service Officers and Information Officers strictly on the merit rank-ordering of impartial selection boards. This action by the Congress eliminated a major loophole in the Foreign Service Act which the actions of former Director of USIA Shakespeare tried to use to undermine the concept of promotion by merit.

We were also pleased and grateful that the Congress authorized education allowances for kindergarten schooling abroad. The lack of such allowances was costing Foreign Service personnel heavily for the kindergarten education that almost all children in the United States receive free.

Mr. Chairman, I would like now to turn to several problem areas which the Association wishes to bring to the attention of this Committee in the context of these Authorization hearings.

I. THE APPOINTMENT OF NONCAREER AMBASSADORS

Mr. Herbert Kalmbach's recent admission that he proffered Ambassadorships in exchange for political contributions has again focused public attention to the need for urgent action to ensure that only those best qualified are nominated and confirmed to be American Ambassadors abroad. Last summer, this Committee proposed a series of guidelines for its own use in assessing Ambassadorial nominees proposed by the President. The Association strongly supported the initiative. We have commented in some detail on the proposed guidelines. We greatly appreciate the fact that one of our suggestions—mandatory disclosure of all political contributions by the nominee—has been incorporated into law. However, in our view, though this measure was helpful, it has not solved the problem of the sale of Ambassadorships—particularly at large and attractive posts.

The Association, of course, has a parochial interest in this question. Ambassadorial positions filled from outside the Service are positions which cannot be filled from the career ranks. This self-interest factor is not the only grounds for our concern, and indeed not the most important of our concerns. The fact is that almost all political appointees who lacked relevant professional qualifications have failed to make positive contributions to American foreign policy, and a number have done grave damage to our relations with various foreign countries. Over the years several of these incidents have come to public attention and are well-known to this Committee. There are an even larger number of incidents which have never come to the public light.

Finally speaking as an American citizen rather than a Foreign Service Officer, the matter of the sale of embassies is disturbing in that it detracts from the credibility and integrity of government as a whole. In short, what is at stake is not simply the career interests of a few senior officers, but rather the caliber of U.S. representatives abroad and to an important degree the integrity of governmental processes.

I want to make clear that the Association differentiates between those individuals from the private sector nominated to be Ambassadors largely because of their political contributions, and those distinguished individuals from outside the Service who have shown high promise or demonstrated capacity to serve with distinction as American Ambassadors abroad. The Association strongly believes that only the best qualified individuals, whether career or noncareer, should serve as Ambassadors, and therefore strongly urges the Committee to take the following actions.

A. Issue the guidelines which the Committee has proposed for its own use in assessing the qualifications of individuals proposed by the President to be Ambassadors or Ministers.

B. Amend 22 U.S.C. 901(a) (PL 93-126), which calls for the disclosure of campaign contributions by nominees (and their families) for posts as Ambassador or Minister by adding the following sentence:

"The report of contributions filed with the Committee on Foreign Relations of the Senate and the Speaker of the House of Representatives shall be published in the Congressional Record."

C. Further amend 22 U.S.C. 901(a) by adding a new subsection (c) as follows:

"Persons who, together with members of their immediate families have contributed more than \$15,000 as defined by Section 301(e) of the Federal Election Campaign Act of 1971 shall be ineligible for consideration as Ambassadors and Ministers."

We believe the prompt adoption of these measures is essential to the conduct of American diplomacy.

II. PERSONAL HARDSHIPS—SEPARATION OF FOREIGN SERVICE PARENTS AND CHILDREN

Foreign Service people, as good Americans naturally want their children to have American educations. However, under present law Foreign Service children

who are separated from their families in order to attend secondary school or college in the United States are permitted government travel to visit their parents at posts abroad only once in every four years (once during high school and once during college). As a result, Foreign Service parents and children are faced with the untenable choice of either not seeing each other for periods of two years or more, or having to pay full international airfares which to some remote posts of the world can amount to hundreds—even thousands—of dollars. Parents with more than one child in school or college find that they must meet extremely high expenses for educational travel or deal with difficult emotional problems of long term separation from their children. These are heavy and unfair burdens which arise solely because our Foreign Service people are serving their country abroad.

Recent studies done by outside consultants for the Foreign Service Educational Counselling Center sponsored jointly by our Association of American Foreign Service Women and the Department's Medical Division indicate that special strains and hardships are imposed upon many Foreign Service children because of constant moving, loss of friends, lack of ties to their American cultural roots, and, above all, separation from their families in order to obtain a decent education.

In AFSA's view Foreign Service parents are penalized enough by the fact they must be separated from their children—often by enormous distances—simply because American caliber high school and college facilities at their post of assignment are inadequate or nonexistent. To compound this personal hardship by a choice of long separation or major financial outlay or damage to the children makes the present situation completely unfair in human and financial terms.

The majority of other governments have long since solved this problem for their Foreign Service employees by providing for a minimum of one annual trip for dependent students. Some, like the United Kingdom, are already providing for two roundtrips per year at government expense. To alleviate this intolerable situation we strongly urge that the Congress provide for one annual roundtrip for each Foreign Service child who is studying at the secondary or undergraduate college level away from his family. To this end, we respectfully request and strongly urge that you incorporate in this bill an amendment to Section 5924(4)

(B) of Title 5 USC so as to read:

"The travel expenses of dependents of an employee to and from a school in the U.S. to obtain an American secondary or undergraduate college education not to exceed one annual trip each way for each dependent for the purpose of obtaining each type of education."

III. FOREIGN SERVICE RETIREMENT AFTER 20 YEARS OF SERVICE

As we indicated to the Committee last year, one of the greatest challenges facing the Foreign Service is identifying the best young talent in the Service, and moving these individuals forward at a rapid rate. I know this is a goal the Congress, the Association and the Secretary all share. This country requires a relatively young and vigorous Foreign Service. Yet, the Foreign Service is getting older, and each year sees individuals remaining longer and longer in grade before they can be promoted. The Association believes urgent steps should be taken to alleviate this situation. We believe the best approach would be to provide for a limited form of 20-year retirement for Foreign Service personnel. Those who would retire earlier would thereby make room for the ablest who wished to stay.

The Association does not propose that we should receive 20-year retirement of the sort presently granted to military personnel. Instead, what we are proposing is a far more limited form of 20-year retirement, under which an employee could retire after 20 years of service with the same annuity to which he or she would otherwise be entitled, namely 40 percent of the "high three" year average and, as at present, with the employee making contributions to the system. We have done considerable research to determine the cost of this provision and have found that with the exception of a handful of individuals who now leave the Service without qualifying for an annuity, this proposal would actually be in the financial interests of the government, since employees who left after 20 years would draw a far smaller annuity than they would if they chose to remain to age 50 as is presently required. Accordingly, the costs for most individuals to the retirement fund would actually be lower than at present. Since there are no substantial costs to the government attached to his proposal, and because of the salubrious effect it would have on the vigor, well-being and vitality of the Service, we urge this Committee to give this matter careful attention

this year. We have attached a specific legislative proposal to this testimony. (Attachment A.)

IV. GRIEVANCE LEGISLATION

Last year as part of the State Authorization Bill this Committee and Senate passed the Bayh-Cooper Bill guaranteeing basic rights of due process for Foreign Service employees in grievance and appeal hearings. However, the House conferees requested that Congressional action on grievance and appeal legislation be deferred to allow the Foreign Affairs Agency Administrators and AFSA to work out a joint legislative proposal. For a year, until early this February, we have been engaged in fruitless negotiations on this issue with the Agencies adamantly refusing to discuss legislation. However, the new State Department Administrative leadership, reacting to continuing Congressional pressure and a recent Federal District Court decision which found the State and USIA selection-out appeals procedures to be constitutionally defective, have informed the Association that they will make major substantive proposals on grievance and appeal procedures a week from today and most importantly will work constructively on a joint legislative proposal to the Congress.

Consequently, we are not today proposing a grievance and appeal legislation. We will try to work out a joint proposal with the Agencies. But, if the Agencies actions do not square with their promises, we will return on an urgent basis to both the Senate and the House to request legislated due process guarantees for the Foreign Service.

V. STRENGTHENING THE PROFESSIONALISM OF THE FOREIGN SERVICE BY IMPROVING LANGUAGE COMPETENCE

As a professional association, AFSA has long been dedicated to raising the professional caliber of the men and women of the Foreign Service. We believe it is only appropriate to expect that strict and demanding standards be applied to Foreign Service personnel. The Foreign Service Act of 1946 expresses the clear intent of Congress that Foreign Service personnel to the maximum extent possible should speak foreign languages and dialects necessary to the performance of their functions. The Department of State and USIA have repeatedly failed to give this matter sufficient attention. Illustrative of this problem was the Department's response to Section 578 of the Foreign Service Act. This Section provides that "The Secretary shall designate every Foreign Service Officer position in a foreign country whose incumbent should have a useful knowledge of a language or dialect common to such country. After December 31, 1963, each position so designated shall be filled only by an incumbent having such knowledge." In 1973 a study of the situation showed that only 50% of such positions were filled by language officers. The Department's response was to reduce the number of positions so designated, so as to reach 75% compliance with this provision of the Act while obliterating its intent instead of increasing the number of language officers in language jobs. The Association has consistently shared with this Committee the view that a knowledge of foreign languages is an essential requisite for Foreign Service Officers and Foreign Service Information Officers. We believe that the time has come for the Congress to take effective steps to accomplish this end.

The Committee may be aware that by regulation each incoming junior officer may receive only one promotion until that officer has satisfied the professional language requirements. No such requirement, however, is imposed on those who enter the Service laterally in the higher ranks. An inexcusably high percentage of those who lateraled into the Service in recent years do not have a useful command of any foreign language. We have proposed for the Committee's consideration a revision to Section 578 of the Foreign Service Act which would eliminate this long-standing abuse by prohibiting any Foreign Service Officer from receiving more than one promotion until he or she achieved language competence. We would also urge the Congress to provide additional funds for language training so that the Department will be able to comply with the will of the Congress. Section 578 would be changed as follows:

"(b) No Foreign Service Officer or Foreign Service Information Officer subsequent to June 1, 1974 may receive more than one promotion unless such officer has attained such minimum competence in a foreign language as the Secretary, by regulation shall prescribe."

VI. REIMBURSING EXTRAORDINARY COSTS FOR CERTAIN STAFF CORPS MEMBERS

For the vast majority of Foreign Service Officers and Foreign Service Information Officers, service abroad carries with it certain minor benefits resulting from the employee's diplomatic status. These generally include duty free entry of personal effects, preferential treatment for automobile registration, etc. In a number of countries, however, Foreign Service Staff personnel not on the diplomatic list do not enjoy these benefits and, on the contrary, often face extraordinary costs, particularly upon arrival at post, not normally paid by government employees or private citizens in the U.S. These extraordinary costs are not covered by cost-of-living or other allowances.

The burden of these extra costs falls almost exclusively on the lowest paid Foreign Service employees. For a Staff secretary making \$8,000 per year, or a Staff-8 communicator making \$9,000, to pay several hundred dollars duty on the importation of an automobile or on household effects, or \$150 to register a car, constitutes an unusual and heavy burden not imposed on their other Foreign Service colleagues, and considerably in excess of the costs other Americans working in the United States have to pay.

The Department has sought to alleviate this problem by pressing for greater reciprocity. However, representations here have not provided sufficient leverage on other countries to alleviate this problem. The Association hopes that over time the countries which impose the heaviest of these burdens can be persuaded to adopt fairer rules. In the meantime, however, this situation is causing unnecessary inequities and hardships on Foreign Service Staff Corps personnel, and since these personnel are serving abroad in the interest of the United States government, we believe there is an obligation on the part of the government to reimburse them for those extraordinary costs above and beyond those costs paid by employees in the United States. Since the number of employees so affected is fairly small, authorization for a special allowance to cover these extraordinary costs would not impose any serious financial burden. To alleviate this situation, the Association proposes that the Secretary be authorized to reimburse Foreign Service employees for costs solely attributable to their lack of full diplomatic status which exceed comparable costs in the Washington, D.C. area. Proposed language follows:

FOREIGN SERVICE ACT OF 1946

TITLE IX—ALLOWANCES AND BENEFITS

Add section 915 as follows:

Payment of Foreign Taxes "Sec. 915. The Secretary may, under such regulations as he shall prescribe, pay import duties, automobile registration and licensing taxes and other similar charges by foreign governments payable by officers and employees of the Service who are not granted diplomatic immunity from such charges in the countries in which they are stationed."

VII. TERRORISM DIRECTED AGAINST FOREIGN SERVICE EMPLOYEES

As we informed the Committee last year, the men and women of the Foreign Service and their families continue to be prime targets of terrorist groups around the world who desire to call attention to their political aims. Recent years have seen kidnappings, murders, hijackings, and other terrorist attacks grow at unprecedented rates. In the past six years, there have been 24 kidnap attempts against members of the Foreign Service, 10 people have been murdered, and 12 wounded. In the past year the Department of State has undertaken a commendable effort to increase the protection available to Foreign Service employees who serve abroad, but the benefits available to Foreign Service personnel or their families who may be killed, disabled, taken prisoner, or wounded remain shockingly inadequate. We, therefore, urge this Committee to again give consideration to the Bill the Association submitted a year ago entitled "Terrorist Victims Benefit Act of 1973," which is attached to this statement (Attachment B) and include this package of benefits in the 1974 State Authorization Bill.

VIII. THE USIA AUTHORIZATION BILL

Mr. Chairman, as a result of the efforts of this Committee, a new Commission entitled "Commission on the Organization of the Government for the Conduct

of Foreign Policy" has been established by law, and is effectively carrying out its mandate. One of the major tasks of that Commission will be to make recommendations concerning the future roles of the Foreign Affairs Agencies. This is a matter of particular interest to AFSA and we are giving the entire range of questions facing the Murphy Commission the most careful consideration. One of the major questions which the Association intends to address is the future of the information and cultural affairs functions. A Committee of the Association composed of active AFSA members in USIA is currently preparing a detailed report on the entire range of questions dealing with the role and mission of USIA and how the public affairs functions of the United States government overseas can most efficiently be managed to serve national interests. This AFSA Committee of foreign affairs professionals in the information and cultural fields has not yet completed its work. Nevertheless, certain preliminary conclusions have already become clear which are of direct interest to this Committee in the context of the USIA Authorization Bill.

USIA was largely the creature of Cold War concerns. In an era of negotiations, changes in the mission and modes of operation of the Agency are not only desirable but essential. Nevertheless, the tasks of explaining American foreign policy and of improving cultural relations continue to be important elements in the overall framework of American diplomacy.

The entire operation and structure of USIA are overdue for major reform. The AFSA Committee is investigating a number of options for the future, among them a complete top-to-bottom reform of all aspects of the Agency's work, an amalgamation of the USIA and the State Department along the lines of the Brookings recommendations, and the establishment of a quasi-governmental organization to carry out the bulk of USIA's and CU's functions. To date we do not know which of these or other options would best serve the national interest, but we can inform the Committee that among many career professionals in the information and cultural fields and others in the foreign affairs community, there is little sentiment for maintaining the status quo.

In recent years, particularly since 1967, there has been an unhealthy trend toward trimming overseas operations with no corresponding reduction in the Washington bureaucracy. The Association believes this is a serious miscalculation of priorities. While there can be honest disagreement on the exact mission which USIA should perform, there can be no doubt that the people we should be reaching abroad are the intellectuals, media representatives, educators, students, business leaders, government officials, artists and other leaders of public opinion. The proper place to carry out this mission is overseas, not in the Washington-based bureaucracy. We urge the Committee to give careful consideration this year in its authorization to reversing the trend of recent years and to provide USIA with adequate funding to carry out its tasks, but with far more money for overseas operations, and with considerably less to support the Washington management base.

In closing, Mr. Chairman, I would like to reiterate that the Association and the men and women of the Foreign Service appreciate this opportunity to express our concerns to the Committee.

ATTACHMENT A

AFSA'S PROPOSED REVISIONS TO THE FOREIGN SERVICE ACT

Revise Section 636 to read as follows:

"Sec. 636. Any participant in the Foreign Service Retirement and Disability System who has rendered twenty years of service may on his own application and with the consent of the Secretary be retired from the Service and receive benefits in accordance with the provisions of Section 821; *Provided*, that at least fifteen years of this service must be rendered while in the Foreign Service. Extra service credit earned pursuant to Section 853, and other creditable service while not in the Foreign Service earned pursuant to Section 852, may not be credited toward the fifteen years in the Foreign Service for purposes of this Section, unless the employee is at least 50 years of age at the time of voluntary retirement."

Explanation

AFSA believes this change is needed to bring younger officers to positions of greater responsibility at a more rapid rate. In the past several years, promo-

tion rates in the Foreign Service have been substantially lower than in the rest of the federal service. As a result, Foreign Service personnel are staying at their present ranks for considerable periods of time. This not only imposes financial hardships, but also deprives younger officers of the opportunity to learn by taking on even greater responsibilities. A continuation of this present situation for any protracted period of time would undermine the attractiveness of the Service, and thus our capacity to attract to the Foreign Service the best young people. Moreover, by placing such a large number of officers in no-growth jobs, many highly qualified officers gradually lose their competitiveness, thus turning brilliant young officers into tired bureaucrats. AFSA believes urgent steps are therefore needed to provide a more rapid turnover. Permitting officers to retire with a small annuity after they have served for twenty years, even though they have not yet reached the age of 50, would help alleviate this problem. With respect to this proposal, several points should be mentioned:

(1) The form of twenty year retirement proposed is markedly different from the twenty year military retirement. AFSA makes no claim that our retirement system should be as liberal as that of the military services. Under the military system, personnel can retire after twenty years at 50 percent of their base pay, and continue to receive certain other benefits, even though they have not contributed to the cost of retirement themselves. Under this proposal, on the other hand, an individual would continue to contribute 7 percent of his or her earnings to the Fund, and after 20 years of service, would receive 40 percent of his or her "high three" average.

(2) In practical terms, this proposal would bring about only a mild reduction in the age of voluntary retirement. The average age at entry in the Foreign Service for junior officers in State and USIA for several years have been about 27. Since no prior service can be credited toward the requirement for fifteen years in the Foreign Service under this proposal (there is no such limitation under present legislation), the average officer would not be eligible for voluntary retirement until he or she had reached the age of 42 to 47.

(3) The cost to the Foreign Service Retirement Fund would be very small, and in many cases might be less than under the present system. Officers who might contemplate taking a small annuity (e.g., 40 percent of an FSO-4's pay at age 45 would be about \$8,000), at present, once they reach age 50 discover that their second career opportunities are reduced and, therefore, may remain to mandatory retirement at age 60. If an officer in the meanwhile has reached FSO-3, the annuity would be roughly \$18,000. The officer retiring early, assuming a life expectancy of 75 would actually receive \$30,000 less in total compensation from the Fund than the officer retiring later. AFSA has performed these computations using a wide variety of assumptions, and in the vast majority of cases, earlier retirement costs the Fund less than later retirement.

(4) AFSA is proposing to permit early retirement only for those personnel who have had twenty years of service, at least fifteen of them in the Foreign Service. Prior service credit, or extra credit earned at an unhealthful post would only count once an individual had fifteen years of actual service in the Foreign Service, or had reached the age of 50.

(5) AFSA doubts that the Department will be flooded with requests for early retirement. However, this proposal would eliminate the situation in which personnel who are no longer interested in the Service remain solely to be able to qualify for an annuity. It would also eliminate the possibility that an officer might be retired involuntarily shortly before he qualified for a pension, and as a result be left without any apparent means of supporting himself and his family while seeking other employment.

ATTACHMENT B

A PROPOSED BILL

To amend the Foreign Service Act of 1946 to provide a Federal death benefit to the surviving dependents of Chiefs of Mission and Foreign Service employees killed by terrorist action or armed conflict.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this act may be cited as the "Terrorist Victims Benefit Act of 1975."

Section 1. Title IX of the Foreign Service Act of 1946 (22 U.S.C. 981) is amended by adding at the end thereof the following new part:

"PART F—DEATH BENEFITS FOR FOREIGN SERVICE EMPLOYEES

"DEFINITIONS

"Section 951. As used in this part—

"(1) 'child' means any natural, adopted, or posthumous child of a deceased Chief of Mission or Foreign Service Employee who is—

"(A) under eighteen years of age; or

"(B) over eighteen years of age and incapable of self-support because of physical or mental disability; or

"(C) over eighteen years of age and a student as defined by section 8101 of title 5, United States Code.

"(2) 'terrorist act' means any crime perpetrated in whole or in part by political motivation, including an act, omission, or possession under the laws of the United States or a State or unit of general local government, or other sovereign State, which poses a substantial threat of personal injury, notwithstanding that by reason of age, insanity, intoxication, or otherwise, the person engaging in the act, omission, or possession was legally incapable of committing a crime;

"(3) 'armed conflict' means any riot, rebellion, or armed insurrection;

"(4) 'dependent' means a person who was wholly or substantially reliant for support upon the income of a deceased Chief of Mission or Foreign Service Employee;

"(5) 'line of duty' means within the scope of employment or service;

"(6) 'Chief of Mission' means a person appointed or assigned in accordance with the provisions of Section 501 of the Foreign Service Act.

"(7) 'Foreign Service Employee' means a person serving or temporarily on duty at a United States mission as a Foreign Service Officer, Foreign Service Information Officer, Foreign Service Reserve Officer of limited or unlimited tenure, Foreign Service Staff Officer, and Foreign Service Staff Employee.

"AWARDS

"Section 952. (a) Upon a finding by the Secretary of State, or his designee, made in accordance with Section 953 of this part, a gratuity of \$50,000 shall be provided.

"(b) (1) Whenever the Secretary of State determines upon a showing of need and prior to taking final action, that a death of a Chief of Mission or a Foreign Service Employee is one with respect to which a benefit will probably be paid, an interim benefit payment not exceeding \$3,000 may be paid to the person or persons entitled to receive a benefit under section 953 of this part.

"(2) The amount of any interim benefit paid under paragraph (1) of this subsection shall be deducted from the amount of any final benefit paid to such person or dependent.

"(3) Where there is no final benefit paid, the recipient of any interim benefit paid under paragraph (1) of this subsection shall be liable for repayment of such amount. The Secretary of State may waive all or part of such repayment.

"(c) The benefit payable under this part shall be in addition to any other benefit that may be due from any other source.

"(d) No benefit paid under this part shall be subject to execution or attachment.

"RECIPIENTS

"Section 953. When a Chief of Mission or a Foreign Service Employee has been killed in the line of duty and the direct and proximate cause of such death was a terrorist act, an apparent terrorist act, or armed conflict, the benefit as provided in section 952 of this part shall be paid as follows:

"(1) if there is no surviving dependent child of such employee to the surviving spouse or separated spouse of such employee;

"(2) if there is a surviving dependent child or children and a surviving spouse or separated spouse of such employee one-half to the surviving dependent child or children of such employee in equal shares and one-half to the surviving spouse or separated spouse of such employee;

"(3) if there is no surviving dependent spouse or separated spouse, to the dependent child or children of such employee, in equal shares; or

"(4) if none of the above to the dependent parent or parents of the decedent, in equal shares;

"(5) if none of the above, to the dependent person or persons who are blood relatives of the decedent or who were living in his household and who are specifically designated in the Chief of Mission's or Foreign Service Employee's duly executed authorization to receive the benefit provided for in this part.

"LIMITATIONS

"Section 954. No benefit shall be paid under this part—

"(1) if the death was caused by the intentional misconduct of the Chief of Mission or Foreign Service Employee or by such person's intention to bring about his death;

"(2) to any person who would otherwise be entitled to a benefit under this part if such person's actions were a substantial contributing factor to the death of the Chief of Mission or Foreign Service Employee."

MISCELLANEOUS PROVISIONS

Section 2. Until specific appropriations are made for carrying out the purposes of this Act, any appropriation made to the Department of State, the United States Information Agency or the Agency for International Development for grants, activities or contracts shall, in the discretion of the Secretary of State, be available for payments of obligations arising under this Act.

Section 3. If the provisions of any part of this Act are found invalid, or any amendments made thereby or the application thereof to any person or circumstances be held invalid, the provisions of the other parts and their application to other persons or circumstances shall not be affected thereby.

Section 4. This Act shall become effective and apply to acts and deaths occurring on or after January 1, 1973.

NONCAREER AMBASSADORS

Senator PELL. Thank you very much, indeed. Following your points and taking your points *ad seriatim*, the noncareer ambassador, as you know, is under discussion in the committee. We appreciate very much your support of the proposed regulations that I and others have supported. I notice one slight change from a \$10,000 limitation to a \$15,000 limitation on contributions by an appointee or member of his family. I think you ought to keep it perhaps to \$10,000 and have it the person himself. We do not want a person knocked out because he has a brother who had contributed—

Mr. BOYATT. Yes, sir.

Senator PELL [continuing]. There could be a problem in that case. But I appreciate the thrust of your statement and agree with you completely.

SEPARATION FROM CHILDREN

In connection with the separation from the children, this is just as valid a point. We want them to have an American education, learning to like apple pie as a dessert and so forth, and yet be able to see their parents once a year. That seems to me the least that we can do. Perhaps some amendment to that effect could be worked out and supported. I know I would like to see it done.

Mr. BOYATT. Thank you, sir.

RETIREMENT AFTER 20 YEARS' SERVICE

Senator PELL. Then, the question of retirement after 20 years' service—would this apply to those who had been selected out for being in the lowest 3 or 5 percent of their class or would it only apply to those who had not succeeded in getting a promotion in the 20-year period?

Mr. BOYATT. Well, it would be voluntary.

Mr. HARRIS. Well, the major thrust, Mr. Chairman, behind this proposal is essentially to allow the privilege for those people who are not going to the top of the Foreign Service to leave the Service at a time when they have an opportunity for a second career. We feel that we will be able to have a much more vigorous and forceful Foreign Service if, let us say, at age 40 or 45, an individual leaves the Service. So often, if a person waits until 50 he will continue in the Service for additional years until he runs up against the time-in-class barriers before leaving. This has blocked the advancement of the bright people in the Service who, we feel, must move on. The Secretary of State shares our concern, although we have not discussed this particular proposal with him.

Mr. BOYATT. We do not see this as lengthening the selection out, Mr. Chairman. This would rather be a voluntary retirement not for people at the bottom but for people not at the top, or the middle, who might seek a second career.

Mr. HARRIS. It would, however, sir, alleviate the problem that we had in the very unfortunate case of Mr. Thomas where an officer was selected out, I believe at age 43 or 47 without a pension. This proposal, if adopted, would allow all those officers who were forced through the working of the time-in-class provisions to retire from the Service.

RETIREMENT AFTER 20 YEARS IN CLASS

Senator PELL. In connection with the Foreign Service retirement bill on which I am working, put in a provision that allows a participant to retire after 20 years in class. There is some confusion as to whether this means that the man must be permitted to remain for 20 years in order to get the pension if he is not being promoted or if it means that even if he has been in the lowest 3 percent of his class for several years he has to stay in for the full 20 years.

What is your position in this regard?

Mr. BOYATT. Well, as a practical matter, the way the regulations now read, officers in midcareer, that is to say, between class 5 and class 3, have 20 years to be promoted out of the midcareer to class 2 or they are retired. Also they can spend 15 years in any one class. As a practical matter, if you take a certain minimum amount of time for the entering and the junior classes, it is not going to come up because an officer would be time-in-classed and would get his annuity. An officer, selected out by operation of time in class, would get his annuity regardless of the number of years.

Senator PELL. It could apply to a lateral entry man though, somebody who came into class 4.

Mr. BOYATT. We have a provision on that.

Mr. HARRIS. Yes, our provision insists an individual be in the Foreign Service for 15 years. There are, of course, people who served in the military before coming into the Foreign Service and the Foreign Service Act presently does provide credit for these individuals. We would allow that they could have only 5 years of credit but no more which they bring in. Let us say a military officer lateraled into the Foreign Service at age 35 or 40, he or she must remain in the Service for 15 years before being eligible for retirement under the proposal that we are putting forward to the committee.

Senator PELL. Right. Thank you.
In connection with the grievance procedure, we have discussed that already.

LANGUAGE PROFICIENCY

The language proficiency, I, personally, think is a very good idea indeed.

Is it correct that men and women can join the Foreign Service now without knowing any foreign language?

Mr. BOYATT. Yes, sir, it is. But if they join at the beginning ranks they may receive only one promotion until they can speak a foreign language to the satisfaction of the—

Senator PELL. With the competition being what it is, being an elite service, as it is, I could think you could easily recommend that people not be admitted until they have taken the trouble to learn a language, whether it be lateral entry or FSO-8.

Mr. BOYATT. The problem there, Mr. Chairman, is, and this is on the basis of a study admittedly done 10 years ago, but at that time at least, the problem was that languages in the universities were taught not by the audio visual method but to teach the student to read a language and comment on the literature and that sort of thing. The experience was at that time at least that well-educated people would be able to write a language and read it to a very high level and not be able to speak it at all. Of course, in diplomacy, as you know, the crucial mode of communicating is the oral one. You have to be able to hear it, understand it and speak it, and when that examination was made, the rules were changed so that an incoming officer would have a minimum period of time in which to learn a language or would have to leave.

Senator PELL. I would disagree with that. I think you want to whittle down the number of candidates anyway as one way of showing who has the gumption and interest to go ahead and take another job for a year while he studies the language on the side.

Mr. BOYATT. I think the methods of teaching languages have improved a lot too over the last 10 years. This would strengthen your view.

Senator PELL. This is done by regulation, not by legislation.

Mr. BOYATT. Sir?

Senator PELL. This is done by regulation, these questions of language competence.

Mr. BOYATT. Yes, sir. We would not oppose what you are suggesting. It makes a lot of sense.

Senator PELL. I think it would sift them down. You already have about 200 people applying for each opening.

Mr. BOYATT. Yes, sir.

Senator PELL. If you could reduce that number by a certain amount, it would not hurt.

Mr. BOYATT. Our only concern would be that we would not like to see the Foreign Service Institute reduced in any way because that first language is just a beginning and we still have the requirement of teaching others and teaching the difficult ones, like Chinese.

Senator PELL. I would agree with you, but the really important thing is to get top caliber of initial candidates, and not to create jobs for the Foreign Service Institute.

Mr. BOYATT. Yes, sir.

Mr. HARRIS. One additional point, if I may, briefly. The problem we are facing is not so much in terms of the incoming new officers. Quite frankly, if we take an economist, whom we need very badly in the Service, we have an excellent capability in teaching language. For example, we can teach a romance language in 3 to 4 months at FSI to give an officer the basic professional capability to work in the field. But given the large number of lateral entries coming into the Foreign Service, at substantially high levels, we, who have a particular view of what a Foreign Service officer should do, are disappointed because many come in, fill language-designated jobs, but neither study a language nor make any effort over a period of a year or two to try to obtain proficiency in a language. We feel language proficiency is a basic element of service in the modern Foreign Service.

EXTRAORDINARY COSTS FOR STAFF OFFICERS

Senator PELL. In connection with the extraordinary costs for Staff Corps members, you did not touch it in your sequence of your testimony. Your number sequence is wrong. You have two No. 5's.

Mr. BOYATT. Sorry, Mr. Chairman. We are a poor organization.

Senator PELL. The extraordinary costs for Staff Corps members, it seems to me you skipped that, but you are very much behind.

Mr. BOYATT. Yes, sir. The problem here is that it does not affect a lot of people, but when it does affect an employee, it is just devastating. In my own experience, I was stationed in Chile about 10 years ago, and they had a 200-percent import duty on automobiles. Well, the result was that we had not one Staff person in that Embassy who had an automobile, and this had all sorts of complications in terms of schooling, you know, for their children, and what they could do for recreation. It was a very difficult situation.

I think that a simple enactment in title IX would give the Secretary the authority under appropriately safeguarded conditions to see that there are no abuses, to permit this kind of an allowance which now has no legislative basis.

Senator PELL. I would agree with you.

TERRORISM AND USIA STUDY

With regard to terrorism, I would see the merit of your views.

I am glad the USIA study is going on, because I have come increasingly to the view that perhaps we should combine the U.S. Information Officer Corps and the U.S. Foreign Service Officer Corps into one. The information officer will benefit by being given a political or commercial or consular assignment, and by the same token, the political or consular officer will benefit by getting an information assignment. I think we made a mistake in creating these two separate Services. I am wondering if Miss Roth, who is a Foreign Service information officer, has any views in this regard.

Miss ROTH. As Mr. Boyatt said, Mr. Chairman, this is very much under study. I think the impetus for the study was the report of this committee last spring when many of us felt that this was a very serious matter, and if our Agency did not take it seriously, we, the professionals, should. So we have been at work since last June and last Satur-

day came up with a possibly acceptable first draft. Our paper will spell out briefly the history of the problems and delineate structural and functional problems. What we propose to do is come up with three options.

Senator PELL. I would hope one of those options would include the idea of one Officer Corps.

Miss ROTH. One of those options does, Mr. Chairman.

Senator PELL. Yes. Then, I look forward to backing at least one of them.

Miss ROTH. But we do feel that 9 or 10 of us working are not enough to get a true consensus, if there is such a thing in the U.S. Information Agency, and in the coming 6 weeks we will be in contact with our members overseas as well as those here, to get a better feeling. This is part of our joint effort for the Murphy Commission and part of a rigorous look at ourselves which is long overdue.

AFSA VIEW OF OVERTIME

Senator PELL. Speaking to you as an organization, what is the present status with regard to overtime? The Foreign Service officers are eligible for overtime, which is a regulation, I hope, that will be reversed because they either have to make their choice of being civil service 9-to-5 group or an elite service in the real sense of the word, and not expecting overtime for working Saturdays, Sundays, and nights. What is the present view of the AFSA in this regard?

Mr. BOYATT. My friend from Texas has volunteered to handle this question. I am delighted to let him do so.

Mr. HARRIS. The overtime problem, sir, is primarily a Staff Corps problem. It is not an officer problem.

Senator PELL. I am not talking about the Staff Corps. I am only talking about the regulations which apply to Staff Corps and Foreign Service officers alike.

Mr. HARRIS. They are not regulations. It is a provision of title 5 of the United States Code.

Senator PELL. So we ought to change the law, in other words.

Mr. HARRIS. That would be necessary. The Association's position is that the law should be applied in an evenhanded way. The officers who are eligible for overtime are class 5, step 2, and below. So essentially, it is officers who are earning under \$16,000 a year. Quite frankly, Senator, in terms of the pay comparability problem, a career officer in today's Foreign Service may have been in the Service for 5 years before he reaches class 5. So we feel an officer, when he is a duty officer in the Department or an embassy, should get the few dollars extra required by law. This is really necessary because a number of officers, especially an officer assigned in Washington with small children and trying to buy a home, have financial problems. Certainly things are a lot easier when you are abroad. Your housing is provided. But there are severe financial hardships on the junior officers, and class 5 officers in the Service, which the Service must face. But the primary problem, let me emphasize, with overtime, is in the Staff Corps. The Staff Corps are the people who are really putting in the bulk of the overtime, and in many cases, the laws and regulations are not being applied uniformly.

Senator PELL. I would not agree with you about the Foreign Service. Granted they need a few extra dollars. That should be done by increasing their salaries or allowances, but not by this particular way that derogates the idea of an elite service.

Mr. BOYATT. We would like to take a look at the pay comparability problem because the junior officer comes in through an extremely rigorous process, 15,000 apply and 150 are accepted, and find that as he goes up the career ladder every time he makes a step his peer in the military or in the civil service making the same step gets more money. Our curve looks like this. It starts out flat and goes up very slowly and then goes up very quickly in the end; and the curve in the civil service goes like that so we have a big gap in there where our people do not make comparable salaries.

Senator PELL. Maybe they do not. Then, he ought to make the choice of going into the civil service. But I think it should be one or the other. This is a view we have covered before, and I feel very strongly, for the sake of the Foreign Service, it should differentiate itself as much as it can from the civil service both in mentality and structure.

FSO'S RECEIVING OVERTIME PAYMENTS IN LAST FISCAL YEAR

I think I have asked one of the people from the Department to stay behind. Maybe he would be kind enough to furnish for the record, the number of cases in the last fiscal year in which Foreign Service officers have received overtime payments, the number of people and the amount or whatever is easier for you to furnish. Put it in the record.

Mr. HARRIS. Officers?

Senator PELL. Only Foreign Service officers, not staff.

Mr. HARRIS. I think that number will be very low.

Senator PELL. Good.

[The information referred to follows:]

DEPARTMENT OF STATE--OVERTIME PAYMENTS TO FOREIGN SERVICE OFFICERS, CALENDAR YEAR 1973 [Supplied by Department of State]

Bureau	January to June 1973	July to December 1973	Total paid	Number Foreign Service officers paid
Overseas:				
AF.....	\$3,178.07	\$4,630.90	\$7,808.97	28
NEA.....	1,785.94	3,300.49	5,086.43	22
EA.....	13,406.26	9,328.07	24,734.33	69
ARA.....	3,502.16	3,348.60	6,850.76	46
EUR.....	2,591.96	5,258.97	7,850.93	43
Total, overseas.....	26,464.39	25,867.03	52,331.42	208
Domestic.....	26,837.42	37,216.38	64,053.80	91
Grand total.....	53,301.81	63,083.41	116,385.22	299

OTHER NATIONS' PRACTICES REGARDING EDUCATIONAL TRAVEL FOR DEPENDENTS

Senator PELL. What is the practice of other nations with regard to educational travel for dependents?

Mr. COHEN. We have done a survey on that, Senator, and virtually every Western European country has a minimum of one round trip per year and other Governments like the United Kingdom, finance two round trips a year for Christmas holidays and the summer vacation. So, generally speaking, we are way behind every other country in the world on this.

Senator PELL. All other career services; that is it?

Mr. COHEN. Correct.

Senator PELL. Have you made a study of all services, Outer Mongolia?

Mr. COHEN. No, no; it is essentially Western European countries we have covered.

Senator PELL. Soviet Union?

Mr. COHEN. We have not looked at them, no.

LIAISON WITH COMMITTEE STAFF ON USIA STUDY SUGGESTED

Senator PELL. Going back to USIA for a moment, if you are doing a study of the various options, there ought to be pretty close liaison between you and the committee staff here because our staff is dissatisfied with the present setup and is making its own study. It would be nice if we all came to a common viewpoint.

Miss ROTH. We welcome it.

Mr. BOYATT. We look forward to it.

IMPACT ON FOREIGN SERVICE CHILDREN OF LIVING OVERSEAS

Senator PELL. Has any study been made of the impact of living overseas on Foreign Service children?

Mr. BOYATT. Yes, Mr. Chairman. Our association and the Association of American Foreign Service Women, and the State Department Medical Division have jointly formed and contributed to an educational counseling center. This center in turn has brought outside consultants in to look at several case histories of Foreign Service children with a view to drawing some broad conclusions. They have come to the conclusion that the stresses and strains of overseas living, changing the environment every 2 or 3 years, losing friends, new schools and, above all, separation of parents and children, creates severe strains which have had the impact of causing a greater degree of trouble than is the national average because of the strains of this kind of existence.

Senator PELL. It can be surmounted. I did not go to school until the fifth grade.

Mr. BOYATT. That would be welcomed by the children.

Senator PELL. No, I am chairman of the Education Subcommittee.

MAJOR IMPEDIMENTS TO IMPROVING FOREIGN SERVICE LANGUAGE SKILLS

What are the major impediments to improving language skills in the Foreign Service?

Mr. BOYATT. Well, I think you mentioned one. Certainly, one valid approach to the problem which is to do more for the nominees who are entering the Service. I think the change in law that we suggested is required. I also think that a more rational assignment policy on the

part of our personnel people would be helpful and finally—yes, it is a question of filling the language-designated jobs with language-capable people. I think the Service as a whole has the talent; it is a question of getting the right person in the right job at the right time.

I also think that more attention should be paid to Foreign Service Institute. All of us who have gone through it in one or two or three or more languages and have a great deal of faith in the Institute, and would like to see their operations strengthened.

OTHER FEDERAL EMPLOYEES HAVING INSURANCE PROTECTION FOR
DANGEROUS ASSIGNMENTS

Senator PELL. Do any other Federal employees have insurance protection for dangerous assignments?

Mr. BOYATT. Let me ask Texas to answer this one. He looked into it, sir.

Mr. HARRIS. Essentially, the proposal we made on terrorism is an insurance scheme. It is a Government paid \$50,000 insurance policy for anyone killed in the line of duty by terrorist activities. The bill we put forward is patterned after legislation, which is in effect now which covers peace officers, sheriffs, Federal marshals, and prison guards.

As you know, the military also have free insurance for any member of a military service who is killed in the line of duty. Unfortunately, as Mr. Boyatt pointed out, being a diplomat in today's world places you in the first line of battle.

FOREIGN SERVICE MORALE IN STATE DEPARTMENT

Senator PELL. What would you say would be the morale of the service at this time? Is it good, bad, indifferent? I know in the 30 years I have been watching it it has always seemed to be low but varying degrees of low. It may be higher than one thinks.

Mr. BOYATT. Mr. Chairman, let me divide the answer in two parts. I will answer for the State Department where I live and which I feel I know; and I will ask Miss Rota to answer for USIA.

With respect to the Department of State, let me say in my judgment, the morale of the Foreign Service is higher today than it has ever been in my experience, and that is 15 years. I think there are three—

Senator PELL. This is an abrupt change from 2 years ago.

Mr. BOYATT. Yes, sir, I think there has been a very abrupt change.

Senator PELL. And you are going to give me the reason. Good.

Mr. BOYATT. Yes. One of which is admittedly self-serving. In my judgment, there are three reasons for this. The most important reason, I think, is the assumption of Secretary Kissinger of the position of Secretary of State. Dr. Kissinger, as this committee is well aware, is a man of great ability and great talent and he has joined the Foreign Service, in our view. I am sure Dr. Kissinger sees it the other way around but I think this has been a marvelous merger of first class highly talented leadership and an equally first class group of people capable of serving that leadership. There is a sort of a sense of com-

mitment, there is a high on in the Foreign Service, and that certainly is the first and most important reason.

I think the second reason, Mr. Chairman, is that over the last 2 or 3 years the association has come before this committee and it has become apparent to the men and women of the Foreign Service that the Senate Foreign Relations Committee and the House and the Congress in general, do care about us and what is happening to us and have demonstrated this in very practical ways, such as the kindergarten allowance. I mean, it is a small thing as affairs of state go, but it is important to those with kindergarten age kids.

Senator PELL. Fine. And you sent your president up here like a Trojan horse in the Congress.

Mr. BOYATT. That is right.

The third reason, which is a self-serving one, is the fact that under the new concepts by which we relate to administrative management we do have an exclusive representative which is our voice. We elect our representative and our voice speaks independently and I think people respond to that.

I would just like to add, Senator, that I should not underestimate the importance of the Pell amendment which you passed last year on the question of insuring the promotion process against political influence. It is extremely important. In any case, I think people have a greater sense of pride and a greater sense of participation, greater than anything I have known. Hank is older than I.

Mr. COHEN. I agree with him, yes.

Senator PELL. Thank you.

Miss Roth.

FOREIGN SERVICE MORALE IN USIA

Miss ROTH. I hate to go from such a high, Mr. Chairman, to a low. My experience in years is more limited but I see the morale sinking day by day in the U.S. Information Agency. I think one of the reasons is that those of us who joined the Foreign Service feel that our work is overseas, and when the Agency was first started its Washington base was 20 percent and its overseas base was 80 percent. Today that has declined to about 50 percent of the professionals in the service in Washington, and about 50 percent of them overseas. So the 50 percent in Washington are frustrated and concerned and because they are closer to the real issues of Washington policy are even more concerned.

In the field I think the morale is higher because the people are doing their jobs and that is what we came in for.

The second reason for the uncommonly bad morale these days, I think is that the Agency has been so reactive over the years, so concerned with short term issues, so busy putting out fires that it has not had a chance to think in terms of the long-range needs that an information and cultural program must have to contribute to support for American foreign policy. So that the sense of continuity, the sense of program concept is something we all feel is very much lacking and something we are addressing in our study.

Senator PELL. I appreciate your statement very much, and I think that perhaps the study that you are doing and the study the committee staff here is doing may lead to some results that will ameliorate the position of the Agency.

DISTRIBUTION OF ENTERTAINMENT ALLOWANCES

I remember before the war, World War II, it was in-house and then it was, I will not say outhouse, but beyond the agency. Then it was back in-house and now beyond it. I have seen it go back and forth, and one would think when one arrived at a final conclusion, it would stick. But maybe with the changing times—in connection with entertainment allowances, do the Ambassadors as a general rule, distribute these to the other officers or do they keep them themselves? Or is there any pattern?

Mr. BOYATT. Well, as you know, Mr. Chairman, the Ambassador has the right to use it all himself, if he wants to. In my own experience without going into details, just let me say it has been a lot fairer under career Ambassadors than it has been under politically-appointed Ambassadors.

While I am on this subject of the question of costs, Tex pointed out as we were talking about a hundred thousand dollars being, you know, the "price" of a medium-sized European post that it is a good investment because it takes a couple of hundred thousand dollars a year to keep an ambassador in a middle-sized European post and this entertainment allowance, of course, is part of it.

I think it is fair to say in the career service the feeling is that we do not worry about that much with the career Ambassador because it is a pretty square shake. Otherwise, you do not know because in some cases it is yes and other cases, no.

Senator PELL. I think you are right and I think a noncareer man with outside income can save his income for that period of time very adequately.

Mr. BOYATT. Yes; there is a certain trade-off there.

Senator PELL. But in this connection with the entertainment allowance, I would like to ask the Department's representative here if it would furnish for our printed record here two columns, one of the career Ambassadors and one of the noncareer Ambassadors and then next to each man's name, not the amount particularly, but the percentage of the entertainment allowance that he has distributed. I think that would be very interesting and salutary.

Mr. BOYATT. I am looking forward to seeing that too, Mr. Chairman.
[The information referred to follows:]

DEPARTMENT OF STATE—PERCENTAGE OF REPRESENTATION FUNDS RETAINED BY AMBASSADORS

[Fiscal year 1973]

	Percent retained by ambassadors	Percent distributed to other officers in country	Total percent
Career ambassadors (85).....	47	53	100
Noncareer ambassadors (35).....	35	65	100

Note: Parentheses indicate number of ambassadors.

Source: Department of State.

Miss ROTH. Could I interject here with one rose to the Agency?
Senator PELL. Yes.

Miss ROTH. I think our people in the field have been dealt with quite equitably. However, the amounts are so pitifully small that the average officer without concern spends \$1,000 out of his pocket knowing that this is part of his or her job.

RETIREMENT OF CAREER MINISTERS AT SIXTY

Senator PELL. Another general point. AFSA supports the retirement of career ministers at 60 as opposed to 65.

Mr. BOYATT. Yes, sir.

Senator PELL. It seems to me that is not too good an idea because we do not have too many. How many is it?

Mr. BOYATT. Forty-seven. It is getting close to 50.

Senator PELL. These are obviously very able men, and I am wondering if we are right in calling for their retirement.

Mr. BOYATT. I would like to make a distinction here. We are not proposing that all career ministers be retired at age 60. We are only proposing that those career ministers after the age of 60, who do not hold or are not appointed to a position of Presidential responsibility requiring Senate advice and consent would be retired, and I think our judgment there is that it is an extremely able group of men and the vast majority of that group is being used in Presidentially appointed positions, ambassadorships, and assistant secretaryships and so on.

Senator PELL. I do not think that is what your suggested amendment says, though. Your amendment just retires them.

Mr. HARRIS. That is clearly our intention.

Mr. BOYATT. I am sorry if it is not clear. Our intent, the purpose was—

Mr. HARRIS. The purpose is not to retire anyone who is fairly senior in age who is filling a responsible job under the direction of the President, confirmed by this committee. A man 70 years of age who enjoys the confidence of the President and this committee should be able to continue as a career minister regardless of his age. However, for a person who does not enjoy that confidence, whose career, let us say, has peaked, we feel that person should leave the service at age 60 and make an opportunity for another younger career minister to come in to take his place.

Senator PELL. I see your point and I must say I have some timidity about it, since my predecessor, who was chairman of the committee that did the confirming retired, I think, at 88 or 89 from his position.

PROBLEMS IN GRIEVANCE AREA

In connection with the grievance area, do you have any outstanding problem at this time?

Mr. HARRIS. Sir, the major problem has been the Agency's refusal to have a board which is impartial.

Senator PELL. This is going back to the point you mentioned earlier?

Mr. HARRIS. Yes.

Senator PELL. This is one I hope you hammer out together so we do not have to do it by legislation. I hope the Department will make

note of the committee's views because we do not want to legislate this, but we will be left with no alternative if there is no agreement.

I thank you very much. I am sorry for the lateness of the hour. It is excellent testimony, and thank you for coming up.

The committee is recessed until tomorrow morning at 10 o'clock, when the Director of USIA will be here.

[Whereupon, at 6:20 p.m., the committee was recessed, to reconvene at 10 a.m., Tuesday, March 12, 1974.]

STATE/USIA AUTHORIZATIONS

TUESDAY, MARCH 12, 1974

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The committee met, pursuant to notice, at 10:05 a.m., in room 4221, The Dirksen Senate Office Building, Senator John Sparkman presiding.

Present: Senators Sparkman, Pell, Aiken, and Pearson.

Senator SPARKMAN. Let the committee come to order, please.

OPENING STATEMENT

Other Senators have indicated they will be here, but I think we had better get started. This morning our committee is meeting in connection with annual hearings on the USIA [United States Information Agency] authorization bill. In past years the committee has heard testimony from the Director and from the Assistant Directors for the various functional and geographical areas.

This year's hearings will follow the same approach but with a slight modification. Following the Director's opening presentation of overall Agency activities, the committee will hear from a series of their five-man area teams, with each team comprising the four functional assistant directors and the geographic assistant directors from a particular region of the world. Each of the three area teams as they appear in succession will make a short presentation of the USIA activities in the selected region.

We will hear first, however, from Mr. James Keogh, Director of USIA, who is accompanied by Mr. Eugene Kopp, Deputy Director of the Agency, and Mr. Stan Silverman, Agency Budget Officer. As we begin, I am inserting in the record a copy of the proposed fiscal year 1975 USIA legislation, some explanatory tables, and other material.

[The information referred to follows:]

[S. 3118, 93d Cong., 2d sess.]

A BILL To authorize appropriations for the United States Information Agency, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "United States Information Agency Appropriations Authorization Act of 1974".

SEC. 2. (a) There are authorized to be appropriated for the United States Information Agency for fiscal year 1975, to carry out international informational activities and programs under the United States Information and Educational Exchange Act of 1948, the Mutual Educational and Cultural Exchange Act of 1961, and Reorganization Plan Numbered 8 of 1953, and other purposes authorized by law, the following amounts:

- (1) \$231,468,000 for "Salaries and Expenses" and "Salaries and Expenses (special foreign currency program)", except that so much of such amount as may be appropriated for "Salaries and Expenses (special foreign currency program)" may be appropriated without fiscal year limitation;
- (2) \$6,770,000 for "Special international exhibitions"; and
- (3) \$4,400,000 for "Acquisition and construction of radio facilities".

Amounts appropriated under paragraphs (2) and (3) of this subsection are authorized to remain available until expended.

(b)(1) In addition to amounts authorized in subsection (a) of this section, there are authorized to be appropriated for the United States Information Agency such additional amounts as may be necessary for increases in salary, pay, retirement, or other employee benefits authorized by law which arise subsequent to the date of enactment of this Act.

(2) In addition to the authorization contained in section 2(b)(1), there is authorized to be appropriated not to exceed 5 per centum of each amount otherwise authorized in section 2(a) for urgent requirements which arise subsequent to the date of enactment of this Act.

REPORTS TO CONGRESS

SEC. 3. Section 1008 of the United States Information and Educational Exchange Act of 1948 is amended to read as follows:

"SEC. 1008. The Secretary shall submit to the Congress annual reports of expenditures made and activities carried on under authority of this Act, inclusive of appraisals and measurements, where feasible, as to the effectiveness of the several programs in each country where conducted."

SECTION-BY-SECTION ANALYSIS OF S. 3118

Section 1.—Provides that the Act may be cited as the "United States Information Agency Appropriations Authorization Act of 1974."

Section 2. Subsection 2(a)(1).—Authorizes appropriations to be made for salaries and expenses necessary to carry out international informational activities and programs under the United States Information and Educational Exchange Act, the Mutual Educational and Cultural Exchange Act, and Reorganization Plan No. 8 of 1953, for the fiscal year ending June 30, 1975. The portion appropriated pursuant to the special foreign currency program would be available until expended. The \$231,468,000 requested is the amount now included in the President's budget for fiscal year 1975.

Subsection 2(a)(2).—Authorizes appropriations to be made for expenses necessary to carry out functions under Section 102(a)(3) of the Mutual Educational and Cultural Exchange Act, to remain available until expended, for the fiscal year ending June 30, 1975. The \$6,770,000 requested is the amount now included in the President's budget for fiscal year 1975.

Subsection 2(a)(3).—Authorizes appropriations to be made for the purchase, rent, construction, and improvement of facilities for radio transmission and reception and the purchase and installation of necessary equipment for radio transmission and reception; and acquisition of land and interests in land by purchase, lease, rental or otherwise, to remain available until expended. The \$4,400,000 is the amount included in the President's budget for fiscal year 1975 for present action. The request will cover maintenance and repair of existing facilities; modification of the antennas at the Agency's West Coast plants; and continued technical research.

Subsection 2(b)(1).—Federal pay raises and other laws or Executive Orders will require increased costs on the part of the Agency. In order to provide funds for such requirements, Section 2(b)(1) authorizes increases in appropriations.

Subsection 2(b)(2).—Authorizes an amount not to exceed 5 per centum of each amount otherwise authorized to be appropriated by Section 2(a) in order to meet urgent requirements arising subsequent to the date of enactment of this Act. For example, it is anticipated that the present worldwide petroleum difficulties may result in substantial increases in costs to the Agency for which additional funds will be necessary.

Section 3.—Amends section 1008 of the United States Information and Educational Exchange Act of 1948 to require annual reports to the Congress. Semi-annual reports are required at present.

U.S. INFORMATION AGENCY
COMPARISON OF 1975 REQUEST WITH 1973 AND 1974 APPROPRIATIONS
[In thousands of dollars]

	Fiscal year—			Increase or decrease (—)
	1973 actual	1974 estimate	1975 estimate	
A. Salaries and expenses:				
1. Dollar appropriation (annual).....	190,750	196,000	222,091	26,091
Pay act supplemental.....		7,062		—7,062
Subtotal, salaries and expenses.....	190,750	203,062	222,091	19,029
2. Special foreign currency program (no-year funds).....	12,500	6,000	9,377	3,377
Total, salaries and expenses.....	203,250	209,062	231,468	22,406
B. Special international exhibitions (no-year funds):				
1. Dollar appropriation.....	5,061	4,336	6,770	2,434
Supplementals (pending).....		6,438		—6,438
Subtotal, special international exhibitions.....	5,061	10,774	6,770	—4,004
2. Special foreign currency program.....	357	78		—78
Total, special international exhibitions.....	5,418	10,852	6,770	—4,082
C. Acquisition and construction of radio facilities (no-year funds).....	1,100	1,000	4,400	3,400
D. Grand total, appropriations and requests.....	209,768	220,914	242,638	21,724

¹ Excludes \$13,840,000 for the 1st phase of the project to replace the Voice of America relay station on Okinawa. A request for authorization and appropriation of funds for this project will be submitted at a later date, as appropriate.

U.S. INFORMATION AGENCY, SUMMARY OF 1975 AUTHORIZATION REQUEST (SALARIES AND EXPENSES RESOURCES DISPLAYED BY GEOGRAPHIC AREA AND MEDIA FUNCTION)¹
[In thousands of dollars]

	Program by media function				1975 total
	Press and publications	Motion pictures and television	Centers and related activities	Radio	
A. Salaries and expenses (program by geographic area):					
East Asia and Pacific.....	11,100	6,696	15,386	18,226	51,408
Africa.....	5,902	3,285	11,703	8,519	29,409
Near East, North Africa, and South Asia.....	9,275	3,461	16,093	11,913	40,742
Latin America.....	7,905	7,045	15,982	6,230	37,162
West Europe.....	8,834	3,689	21,235	2,197	36,055
Special Europe.....	313	169	1,300	1,365	3,147
Soviet Union and East Europe.....	5,384	961	5,257	22,067	33,669
Total, salaries and expenses obligation.....	48,813	25,306	86,956	70,517	231,592
Less foreign currency balances applied.....	—26	—14	—46	—38	—124
Total, salaries and expenses request.....	48,787	25,292	86,910	70,479	231,468
B. Special international exhibitions.....			6,770		6,770
C. Acquisition and construction of radio facilities.....				4,400	4,400
Total, agency request.....	48,787	25,292	93,680	74,879	242,638

¹ This display represents application in gross terms of the agency's total salaries and expenses resources by function and geographic area. It necessarily involves the proration of resources related to worldwide programs, program direction, research activities, administrative and other general support, and certain field costs that are not directly attributable either to major functions or geographic areas.

USIA, ANALYSIS OF AGENCY POSITIONS BY MAJOR ORGANIZATIONAL GROUPINGS AND APPROPRIATION
FROM WHICH FUNDED

	1973 actual	1974 estimate	1975 estimate	Increase or decrease (--)
Salaries and expenses: ¹				
USIS missions:				
Domestic	111	106	106	
Overseas Americans	1,048	1,021	1,026	5
Local employees	4,179	4,014	4,024	10
Total, USIS missions	5,338	5,141	5,156	15
Media services:				
Domestic	2,229	2,193	2,195	2
Overseas Americans	150	145	145	
Local employees	1,191	1,137	1,112	-25
Total, media services	3,570	3,475	3,452	-23
Research, direction, and other services:				
Domestic	851	804	804	
Overseas Americans	8	6	6	
Local employees	4	2	2	
Total, research, direction, and other services	863	812	812	
Total, salaries and expenses:				
Domestic	3,191	3,103	3,105	2
Overseas Americans	1,206	1,172	1,177	5
Local employees	5,374	5,153	5,138	-15
Total, salaries and expenses	9,771	9,428	9,420	-8
Special international exhibitions:				
Domestic	56	56	56	
Overseas Americans	2	12	12	
Local employees	6	20	20	
Total, special international exhibitions	64	88	88	
Grand total, USIA:				
Domestic	3,247	3,159	3,161	2
Overseas Americans	1,208	1,184	1,189	5
Local employees	5,380	5,173	5,158	-15
Total, USIA	9,835	9,516	9,508	-8

¹ Includes dollar and foreign currency accounts.

HISTORY OF U.S. INFORMATION AGENCY APPROPRIATIONS, FISCAL YEARS 1954 THROUGH 1975, ESTIMATE
(In millions of dollars)

Fiscal year	Salaries and expenses ¹			Special international exhibitions			Radio construction	Informational media guarantee	Grand total
	Dollars	Special foreign currency program	Total	Dollars	Special foreign currency program	Total			
1954.....	84.2		84.2						84.2
1955.....	77.3		77.3	5.0		5.0			82.3
1956.....	87.3		87.3	5.0		5.0			92.3
1957.....	113.0		113.0	11.2		11.2			124.2
1958.....	96.5		96.5	15.2		15.2	1.1		112.8
1959.....	101.7		101.7	6.4		6.4	14.8	2.5	125.4
1960.....	101.6		101.6	6.1		6.1	9.0	2.7	119.4
1961.....	105.3	3.0	108.3	8.9	0.7	9.6	8.7	3.7	130.3
1962.....	111.5	9.3	120.8	8.0	.3	8.3	10.7	1.5	141.3
1963.....	123.1	8.5	131.6	7.6	.4	8.0	16.2	1.0	156.8
1964.....	134.0	11.7	145.7	7.2	.5	7.7	12.1	.7	166.2
1965.....	140.3	8.2	148.5	15.0	.4	15.4	2.0		165.9
1966.....	144.0	11.1	155.1	3.7	.2	3.9	26.2		185.2
1967.....	152.2	10.9	163.1	2.7	.4	3.1	6.5		172.7
1968.....	155.1	8.6	163.7	12.0	.4	12.4	18.2		176.7
1969.....	163.5	9.3	172.8	3.5	.4	3.9			183.4
1970.....	169.7	10.8	180.5	2.9		2.9			190.0
1971.....	172.1	13.0	185.1	4.0	.3	4.3	.6		199.1
1972.....	181.2	13.0	194.2	3.5	.3	3.8	1.1		209.7
1973.....	190.7	12.5	203.2	5.1	.4	5.5	1.0		220.9
1974.....	203.0	6.0	209.0	10.8	.1	10.9	1.0		220.9
1975 estimate.....	222.1	9.4	231.6	6.8		6.8	4.4		242.7

¹ As a result of rising salary costs and other inflationary factors experienced since 1954, the \$231,500,000 requested in fiscal year 1975 for the Agency's regular operating budget represents only \$82,500,000 in terms of 1954 constant dollars. An explanation of these cost increases and a comparison of the regular operating appropriations on a constant dollar basis follow this table.

² Includes pending supplementals of \$13,500,000 in 1974.

USIA, COMPARISON OF AGENCY OPERATING APPROPRIATIONS ON A CONSTANT DOLLAR BASIS—COMBINED SALARIES AND EXPENSES APPROPRIATIONS

(In millions of dollars)

Fiscal year	Appropriations enacted by Congress	Appropriation values on a constant dollar basis
1954.....	84.2	84.2
1955.....	77.3	74.8
1956.....	87.3	80.4
1957.....	113.0	100.6
1958.....	96.5	81.0
1959.....	101.7	82.7
1960.....	101.6	81.3
1961.....	108.3	84.2
1962.....	120.8	93.1
1963.....	131.6	97.3
1964.....	145.7	103.0
1965.....	148.5	100.3
1966.....	155.1	102.0
1967.....	163.1	103.4
1968.....	163.7	101.2
1969.....	172.8	99.3
1970.....	180.5	92.5
1971.....	185.1	88.6
1972.....	194.2	87.2
1973.....	203.2	84.9
1974.....	¹ 209.0	79.0
1975 estimate.....	² 231.5	² 82.5

¹ Includes pending supplemental of \$7,062,000 for Federal pay raise.

² Includes an increase of \$5,400,000 (\$2,000,000 in terms of 1954 dollars) for the newly required payment to the Federal buildings fund of GSA, per Public Law 92-313, for Agency domestic space.

U.S. INFORMATION AGENCY
SUMMARY OF SALARIES AND EXPENSES REQUIREMENTS

[In thousands of dollars]

Program element	1973 actual	1974 estimate ¹	1975 estimate	Increase or decrease (--)
Overseas mission programs:				
East Asia and Pacific:				
Africa:	\$21,473	\$23,077	\$24,390	\$1,313
Near East, North Africa, and South Asia:	13,519	14,094	14,874	780
Latin America:	21,384	21,507	42,779	1,272
West Europe:	19,940	20,893	22,439	1,546
Special Europe program (Berlin, RIAS, GDR):	21,746	24,950	27,504	2,554
Soviet Union and East Europe:	3,597	1,930	2,788	858
	6,902	7,287	7,546	259
Total, overseas mission programs:	109,061	113,738	122,320	8,582
Media indirect and worldwide support:				
Press and Publications Service:	10,488	10,899	11,740	841
Motion Picture and Television Service:	8,800	8,564	8,679	115
Information Center Service:	4,972	5,256	7,016	1,760
Broadcasting Service:	49,908	53,564	56,333	2,769
Total, media indirect and worldwide support:	74,168	78,283	83,768	5,485
Research, direction, and general support:				
Office of Research:	2,988	3,007	2,947	-60
Program and policy direction:	2,978	2,946	2,915	-31
Direct administration and other support:	13,397	13,838	14,213	375
Total, research, direction, and general support:	19,363	19,791	20,075	284
Reimbursement to General Services Administration:			5,429	5,429
Total, salaries and expenses obligations:	202,592	211,812	231,592	19,780
Net foreign currency balances applied and other adjustments:	658	-2,750	-124	2,623
Total, salaries and expenses appropriations and estimates:	203,250	209,062	231,468	22,406

¹ Includes proposed pay act supplemental of \$7,062,000.

SPECIAL INTERNATIONAL EXHIBITIONS
DOLLAR AND SPECIAL FOREIGN CURRENCY ACCOUNTS

[Funds in thousands]

	1974 and 1975 positions		1974 estimate		1975 estimate	
	American	Local	Projects/Showings	Amount	Projects/Showings	Amount
A. Fairs and exhibitions—U.S. Information Agency:						
1. Trade fairs:			19	\$1,236	10	\$1,053
2. Reshowings of exchange exhibits in East Europe:			12	1,050	13	1,066
3. U.S.S.R. exchange exhibits:						
(a) 6th series:				89		
(b) 7th series:			5	1,702		
(c) 8th series:				700	4	2,960
4. Art and American scene exhibits in East Europe:			17	87	21	100
5. Staff and general operating costs:	58	6		1,434		1,497
Total, fairs and exhibitions:	58	6	43	6,298	48	6,676
B. Okinawa fair—U.S. Information Agency:	10	14	1	370	1	4,012
C. Labor missions—Department of Labor:	6		6	260	9	289
Total, obligations:	74	20	50	6,928	58	10,977
Adjust for reimbursement, balances, and other adjustments:				3,924		-4,207
Total, appropriation and requests:	74	20	50	10,852	58	6,770

¹ Represents 4 exhibitions occurring in fiscal year 1974 and 5 projects requiring advance funding.

² Represents 6 exhibitions occurring in fiscal year 1975 and 4 projects requiring advance funding.

ACQUISITION AND CONSTRUCTION OF RADIO FACILITIES

[Funds in thousands of dollars]

Purpose	1974 estimate	1975 estimate
Major construction projects:		
Delano and Dixon antenna improvements.....		\$2, 800
Other major construction projects.....	\$62	•
Total, major projects.....	62	2, 800
Engineering research.....	138	100
Major improvements, replacements and repairs.....	1, 615	1, 500
Total, funds.....	1, 815	4, 400
Less balances applied.....	-815	
Appropriation enacted and requested.....	1, 000	4, 400

TABLE SHOWING THE NUMBER OF USIA EMPLOYEES WITH SALARIES OVER \$15,000;
\$20,000; \$25,000; \$30,000; AND \$35,000

The number of employees of USIA whose annual salaries are:

(a) \$35,001 and above.....	198
(b) \$30,001 to \$35,000.....	346
(c) \$25,001 to \$30,000.....	454
(d) \$20,001 to \$25,000.....	752
(e) \$15,001 to \$20,000.....	777

The Agency's employment totaled 8,864 on January 31, 1974. As indicated above, 2,527 of those employees received salaries in excess of \$15,000. It should be noted that among American employees, a GS-9, step 8, earns \$15,009 and junior professionals at grades GS-11 and FS10/FSR-6 earn over \$15,000 after one to three years experience. Thus, with present pay scales the Agency's employees in the middle grade ranges receive over \$15,000. Because of its domestic and overseas requirements for skilled professionals in the media and communications fields, the Agency employs a significant number of employees in the middle and higher grades.

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LIST OF PUBLICATIONS CURRENTLY BEING PRODUCED BY USIA, SHOWING THE FREQUENCY, CIRCULATION, AND ANTICIPATED FISCAL YEAR 1975 COST

PRESS AND PUBLICATIONS SERVICE
PUBLICATIONS CURRENTLY BEING PRODUCED

Publication title	Where principally distributed	Language	Frequency (issues per year)	Circulation (per issue)	1975 estimated cost
1. America Illustrated ¹	U.S.S.R.	Russian	12	62,000	\$1,475,290
2. Al Majal	Near East and North Africa	Arabic	8	20,400	343,184
3. Dialogue	Worldwide	English and 8 other languages ²	4	191,000	597,946
4. Economic Impact	do	English and Spanish	4	35,000	234,254
5. Horizons USA	Worldwide except sub-Saharan Africa	English and 16 other languages ³	6	330,000	1,551,659
6. Problems of Communism	Worldwide	English	6	26,700	263,126
7. Topic	Sub-Saharan Africa	English and French	8	49,600	510,434
8. Informations et Documents	France and French speaking countries	French	12	70,400	314,953
9. Student Review	Republic of China	Chinese/English	8	35,800	62,805
10. Titian	Indonesia	Indonesian	6	8,000	89,043
11. Trends	Japan	Japanese	6	15,400	237,360
12. World Today	East Asia area	Chinese	12	79,800	185,312
13. New Frontiers	Iran	Farsi	12	21,500	120,380
14. Span	India	English	12	130,000	835,318
15. Interlink	Nigeria	do	4	6,900	28,208
16. Current Scene	Worldwide	English, French, and Spanish	12	10,000	97,650
Total estimated cost					6,936,922

¹ The Polish version of "America Illustrated" is being consolidated with "Horizons USA" in 1974.² Includes: (1) English, (2) Spanish, (3) French, (4) Polish (5) Romanian, (6) Serbo-Croatian, (7) Czechoslovakian, (8) Russian, (9) Portuguese.³ Includes: (1) English, (2) Spanish, (3) Italian, (4) Nepalese, (5) Bengali, (6) Sinhalese, (7) Burmese, (8) Lao, (9) Thai, (10) Vietnamese, (11) Korean, (12) Hungarian, (13) Bulgarian, (14) Czechoslovakian, (15) Romanian, (16) Serbo-Croatian, (17) Polish.

DOMESTIC DISSEMINATION OF ALL USIA MATERIALS

P.L. 92-352, 86 Stat. 493 (1972), amending 22 U.S.C. 1461, prohibits domestic dissemination of Agency products or programs which convey information about the United States, its people and policies. Major steps were taken by the Agency after the enactment of this law to insure compliance.

Domestic distributions are isolated and serve as editorial courtesies to publication contributors, facilitative assistance to foreign affairs, and information exchanges with foreign organizations within the United States. For example, the Agency continues to send copies of *Topic* and *Vision*, European and Latin magazines, to the African Collection of Luquesne University, and to the African-American Institute. These isolated situations are currently under review by the Office of the General Counsel in an Agencywide study of distribution practices, aimed at insuring precise compliance with P.L. 92-352.

Distributions relating to the administrative functions of the Agency such as personnel announcements, recruiting data and other contacts of this nature with the U.S. press, are not covered by P.L. 92-352 and are handled by the Agency's Office of Public Information.

DOMESTIC DISSEMINATION OF AGENCY PERIODICALS¹

[Copies per issue]

	America Illustrated		Al-Majal	Topic	Economic impact	Problems of Communism	Dialog ¹		
	Russian	Polish					English	French	Spanish
Members of Congress	5	6		1		45	3		
Contributors, copyright holders	2 81	2 59	2 50	2 20	2 98	2 75			
Foreign embassies, consulates and other foreign offices in United States	100		13	211	17	54	135	38	228
Foreign students in United States	33			250			1		5
Foreign correspondents in United States	3				195	125	145		
State	34	21	11	7	14	300	51		1
Other U.S. Government agencies	162	92	2	4	4	372	44		
Advisory board	11	8							
Miscellaneous			7	29	9	180			
Total	429	186	83	522	337	1,151	379	38	234

¹ No domestic distribution of "Horizons USA" has yet been made.² Approximate; depends on contents of each issue.³ List controlled by State.

USIA INFORMATION CENTERS, READING ROOMS, AND BINATIONAL CENTERS, AND THEIR COSTS FOR FISCAL YEAR 1973

U.S. INFORMATION AGENCY INFORMATION CENTERS AND READING ROOMS,¹ FISCAL YEAR 1973

	Total cost	Location of information centers and reading rooms
East Asia and Pacific:		
Australia	\$44,961	Sydney (reading room); Canberra (reading room); Melbourne (reading room); Perth (reading room).
Burma	12,678	(*)
China, Republic of (Taiwan)	180,111	Kaohsiung; Taichung; Tainan; Taipei.
Hong Kong	76,383	Hong Kong.
Indonesia	20,908	(*)
Japan	791,822	Fukuoka; Kyoto; Nagoya; Osaka; Sapporo; Toyko.
Khmer Republic (Cambodia)	5,417	(*)
Korea	223,151	Kwangju; Pusan; Seoul; Taegu.
Laos	35,798	Vientiane.
Malaysia	89,402	Kuala Lumpur.
New Zealand	39,652	Wellington; Auckland (reading room).
Philippines	151,113	Cebu; Davao; Manila.
Singapore	72,006	Singapore.
Thailand	122,957	Chiangmai; Khon Kaen; Songkhla.
Vietnam	163,563	Cantho; Danang; Hue.
Total, East Asia and Pacific	2,029,922	
Africa:		
Burundi	19,484	Bujumbura.
Cameroon	126,095	Douala; Yaounde.
Chad	47,373	Ndjamena.
Dahomey	38,294	Cotonou.
Ethiopia	171,280	Addis Ababa; Asmara; Dessie (reading room); Dire Dawa (reading room); Gondar (reading room); Jimma (reading room); Makalle (reading room); Lekemte (reading room).
Gabon	36,004	Libreville.
Ghana	160,921	Accra; Kumasi.
Ivory Coast	73,174	Abidjan.
Kenya	89,644	Nairobi.
Lesotho	38,935	Maseru; Mbabane (reading room); Gaborone (reading room).
Liberia	68,141	Monrovia.
Malagasy Republic	85,612	Tananarive.
Malawi	26,611	Blantyre.
Mali	34,465	Bamako.
Niger	39,341	Niamey.
Nigeria	523,862	Ibadan; Kaduna; Kano; Lagos.

U.S. INFORMATION AGENCY INFORMATION CENTERS AND READING ROOMS,¹ FISCAL YEAR 1973—Continued

	Total cost	Location of information centers and reading rooms
Senegal.....	126, 811	Dakar.
Sierra Leone.....	45, 319	Freetown.
Somali Republic.....	104, 117	Mogadiscio.
South Africa.....	150, 542	Cape Town; Johannesburg.
Tanzania.....	80, 342	Dar-es-Salaam.
Togo.....	33, 348	Lome.
Uganda.....	60, 307	Kampala. ²
Upper Volta.....	33, 217	Ouagadougou.
Zaire, Republic of.....	233, 018	Kinsasa; Kisangani; Lubumbashi; Bukavu (reading room).
Zambia.....	65, 719	Lusaka.
Total, Africa.....	2, 512, 916	
Near East, North Africa and South Asia:		
Afghanistan.....	75, 215	Kabul.
Algeria.....	23, 213	(?).
Arab Republic of Egypt.....	38, 443	(?).
Bangladesh.....	183, 419	Dacca; Chittagong (reading room); Mymensingh (reading room). ⁴ Rajshahi (reading room). ⁴
India.....	1, 960, 715	New Delhi; Bombay; Calcutta; Madras.
Iran.....	151, 011	Tehran.
Israel.....	112, 316	Tel Aviv; Jerusalem.
Jordan.....	21, 513	(?).
Kuwait.....	2, 410	(?).
Lebanon.....	92, 118	Beirut.
Morocco.....	199, 517	Casablanca; Fez; Rabat; Tangier (reading room).
Nepal.....	82, 115	Kathmandu.
Pakistan.....	697, 010	Islamabad; Karachi; Lahore; Peshawar; Hyderabad (reading room).
Saudi Arabia.....	44, 616	Jidda.
Sri Lanka (Ceylon).....	101, 318	Colombo; Kandy (reading room).
Sudan.....	99, 819	Khartoum.
Tunisia.....	75, 317	Tunis.
Total, Near East, North Africa and South Asia.....	3, 960, 615	
Latin America:		
Argentina.....	387, 617	Buenos Aires.
Brazil.....	437, 414	Brasilia; Rio de Janeiro; Sao Paulo.
Dominican Republic.....	20, 719	Santo Domingo (reading room).
Guyana.....	59, 414	Georgetown.
Jamaica.....	15, 411	Kingston (reading room).
Mexico.....	536, 613	Guadalajara; Mexico City; Monterrey; Hnos. Unidos (reading room); Puebla (reading room); Tampico (reading room).
Panama.....	100, 519	Panama City.
Trinidad.....	38, 913	Port-of-Spain.
Uruguay.....	132, 211	Montevideo.
Venezuela.....	121, 520	Maracaibo.
Total, Latin America.....	1, 850, 741	
West Europe:		
Austria.....	238, 797	Vienna.
Belgium.....	215, 221	Brussels.
Canada.....	89, 334	(?).
Cyprus.....	68, 370	Nicosia.
Denmark.....	114, 652	Copenhagen.
Finland.....	125, 679	Helsinki.
France.....	298, 212	Paris.
Germany.....	1, 337, 417	Berlin; Cologne; Frankfurt; Hamburg; Hannover; Munich; Stuttgart; Bremen (reading room).
Greece.....	338, 153	Athens; Thessaloniki; Patras (reading room).
Iceland.....	79, 711	Reykjavik.
Italy.....	533, 858	Milan; Rome; Palermo (reading room); Florence (reading room).
Malta.....	20, 088	Valletta.
Netherlands.....	143, 452	(?).
Norway.....	126, 644	Oslo.
Portugal.....	100, 697	Lisbon.
Spain.....	271, 662	Madrid.
Sweden.....	184, 553	Stockholm.
Switzerland.....	1, 111	(?).
Turkey.....	399, 751	Ankara; Istanbul; Izmir.
United Kingdom.....	225, 281	(?).
Total, West Europe.....	4, 912, 715	

U.S. INFORMATION AGENCY INFORMATION CENTERS AND READING ROOMS,¹ FISCAL YEAR 1973—Continued

	Total cost	Location of information centers and reading rooms
Soviet Union and East Europe:		
Bulgaria.....	13,248	(²).
Czechoslovakia.....	18,820	(²).
Hungary.....	45,775	(²).
Poland.....	55,847	(²).
Romania.....	206,029	Bucharest.
U.S.S.R.....	64,610	(²).
Yugoslavia.....	333,651	Belgrade; Zagreb; Novi Sad (reading room); Ljubljana Skopje.
Total, Soviet Union and East Europe...	737,980	
Grand total.....	16,004,989	

¹ An information center is a USIS library operation with a book collection usually exceeding 4,000 volumes, under the direct supervision of an American officer. It is the center for a variety of cultural and information activities. A reading room is a USIA library operation with a book collection of less than 4,000 volumes, staffed entirely by local employees. Limited cultural and information activities may be conducted in conjunction with the library operation. The costs shown by country on this list include the operating costs of information centers, reading rooms and similar operations conducted in locations that are not formally classified as centers or reading rooms.

² Costs shown relate to operations similar to those carried on in information centers and reading rooms as indicated in the note above. There are no information center or reading room costs, per se, for these countries.

³ Closed in fiscal year 1974.

⁴ Closed end of fiscal year 1973.

USIA SUPPORTED BINATIONAL CENTERS

TOTAL 1973 OPERATING COSTS

	Total operating costs ¹	Remarks
East Asia and Pacific:		
Indonesia.....	\$329,114	Jakarta; Medan; Surabaya.
Laos.....	234,924	Vientiane; Luang Prabang; Savannakhet.
Thailand.....	677,920	Bangkok.
Vietnam.....	300,485	Saigon.
Total, East Asia and Pacific.....	1,542,443	79.7 percent of total costs funded from local income.
Near East, North Africa and South Asia:		
Iran.....	1,053,352	Ahwaz; Isfahan; Meshed; Shirez; Tehen.
Pakistan.....	41,518	Karachi.
Total, Near East, North Africa and South Asia.....	1,094,870	84.1 percent of total costs funded from local income.
Latin America:		
Argentina.....	562,533	Buenos Aires; Comodoro Rivadavia; Cordoba; Dean Funes; Jujuy; Mendoza; Rosario; Salta; San Francisco; San Juan; Santiago del Estero; Tucuman; Villa Maria.
Bolivia.....	117,379	Cochabamba; La Paz; Santa Cruz.
Brazil.....	3,292,011	Bahia; Belo Horizonte; Campinas; Caxias do Sul; Curitiba; Florianopolis; Fortaleza; Juiz de Fora; Manaus; Natal; Porto Alegre; Recife; Rio de Janeiro; Salvador; Bahia; Santos; Sao Paulo; Uberaba; Vitoria.
Chile.....	662,711	Antofagasta; Chillan; Concepcion; Santiago; Tamuco; Valparaiso.
Colombia.....	1,162,263	Barranquilla; Bogota; Bucaramanga; Cali; Caragena; Manizales; Medellin; Pereira.
Costa Rica.....	306,277	Limon; San Jose; Turrialba.
Dominican Republic.....	215,280	Santiago; Santo Domingo.
Ecuador.....	223,166	Cuenca; Guayaquil; Quito.
El Salvador.....	269,820	San Salvador.
Guatemala.....	561,335	Guatemala City.
Haiti.....	63,957	Port-au-Prince.
Honduras.....	125,823	San Pedro Sula; Tegucigalpa.
Mexico.....	1,882,523	Chihuahua; Guadalajara; Hermosillo; Meride; Mexico City; Monterrey; Morelia; San Luis Potosi; Veracruz.
Nicaragua.....	2,222	Managua.
Panama.....	123,215	Panama City.
Paraguay.....	68,394	Asuncion.
Peru.....	984,051	Arequipa; Chiclayo; Cuzco; Huancayo; Lima; Piura; Trujillo.
Uruguay.....	142,709	Montevideo.
Venezuela.....	539,782	Caracas; Merecaibo (to be opened in fiscal year 1974).
Total, Latin America.....	11,305,451	97.6 percent of total costs funded from local income.

USIA SUPPORTED BINATIONAL CENTERS—Continued

TOTAL 1973 OPERATING COSTS—Continued

	Total operating costs ¹	Remarks
West Europe:		
Germany.....	787,103	Freiburg; Heidelberg; Nuremberg; Saarbrücken; Tübingen.
Greece.....	259,895	Athens.
Italy.....	118,190	Naples.
Spain.....	507,402	Barcelona.
Turkey.....	316,445	Adana; Ankara; Istanbul; Izmir.
Total, West Europe.....	1,989,035	87.6 percent of total costs funded from local income.
Grand total.....	15,931,799	94.6 percent of total costs funded from local income.

¹ Operating costs include center expenses, the cost of USIA personnel and other Agency support.² USIA materials grants only. Local records destroyed by earthquake.

LIST OF THE TOP 50 BOOKS IN ENGLISH ACQUIRED BY USIA DURING FY 1973

Attached is a list entitled "Top 50 U.S. Books in English Purchased for Overseas Use—FY-1973." This list identifies the top 50 English language books purchased and sent overseas for use in Information Centers, Binational Centers and for presentation. This list does not include any copies of books acquired as the by-product of an overseas publishing project in translation or in English nor as the result of donation by American Publishers.

U.S. Information Agency—Top 50 U.S. books in English purchased for overseas use, fiscal year 1973

1. World Almanac and Book of Facts 1973, Doubleday.....	3,039
2. Boorstin, Daniel J., American Civilization, McGraw-Hill.....	630
3. Keogh, James, President Nixon and the Press, Funk & Wagnalls.....	475
4. Rostow, Walt W., The Diffusion of Power, Macmillan.....	375
5. Brown, Lester R., World Without Borders, Random.....	374
6. Hunter, Sam, American Art of the 20th Century, Abrams.....	345
7. Information Please Almanac, Simon & Schuster.....	338
8. College Entrance Examination Board, College Handbook, The Board.....	325
9. Van der Linden, Frank, Nixon's Quest for Peace, Bruce.....	317
10. Hammond, Allen L., Energy and the Future, American Association for the Advancement of Science.....	302
11. Mobile, Philip, Complete Ecology Fact Book, Doubleday.....	274
12. Samuelson, Paul A., Economics, 9th edition, McGraw-Hill.....	272
13. Johnson, Michael L., The New Journalism, University Press of Kansas.....	256
14. The Nixon Doctrine, ed. by Melvin Laird, American Enterprise Institute.....	239
15. Jencks, Christopher, Inequality, Basic Books.....	237
16. Scalapino, Robert, Asia and the Major Powers, American Enterprise Institute.....	237
17. Solzhenitsyn, Aleksandr, Nobel Lecture, Farrar.....	233
18. Books in Print 1972, Bowker.....	228
19. Watts, William, State of the Nation, Universe Books.....	224
20. Hannau, Hans W., USA in Full Color, Merriam.....	220
21. Rostow, Eugene V., Peace in the Balance, Simon & Schuster.....	217
22. Who Speaks for Earth, by Barbara Ward, Norton.....	214
23. Dorfman, Robert, Economics of the Environment, Norton.....	210
24. Rockefeller, John D. III, The Second American Revolution, Harper.....	209
25. Statesmans Yearbook, 1972-73, St. Martins.....	207
26. Subject Guide to Books in Print, 1972, Bowker.....	205
27. Handbook on U.S. Study for Foreign Nationals, Institute of International Education.....	199
28. Turnham, David, The Employment Problem in Less Developed Countries, Organization for Economic Cooperation and Development.....	199
29. Celebration, ed. by William Corno, Danad.....	187
30. Kemeny, John G., Man and the Computer, Scribner.....	182
31. Reiss, Alvin H., Culture and Company, Twayne.....	182

32. Aliber, Robert Z., The International Money Game, Basic Books.....	180
33. American Annual, 1973, Grolier.....	179
34. Boorstin, Daniel J., Americans: The Democratic Experience, Random.....	177
35. Graubard, Allen, Free the Children, Pantheon.....	177
36. Buchan, Alastair, Power and Equilibrium in the 1970s, Praeger.....	175
37. Tucker, Robert W., A New Isolationism, Universe Books.....	175
38. Britannica Book of the Year, 1973, Encyclopedia Britannica.....	174
39. Gross, Ronald, The New Professionals, Simon & Schuster.....	171
40. Halberstam, David, The Best and the Brightest, Random.....	170
41. Best American Short Stories 1972, Houghton.....	170
42. Burg, David, Solzhenitsyn, Stein & Day.....	170
43. Okun, Arthur M., Battle Against Unemployment, Norton.....	170
44. Dance World. V. 7—1971-72 Season, Crown.....	169
45. N. W. Ayers Newspapers and Periodical Directory 1973, Ayers.....	168
46. World This Year, 1972, Simon & Schuster.....	167
47. Brubaker, Sterling, To Live on Earth, Johns Hopkins Press.....	163
48. Cass, James, Comparative Guide to American Colleges, Harper.....	161
49. Literary Market Place 1972-73, Bowker.....	161
50. Prize Stories 1972, Doubleday.....	161

LIST OF THE USIA FILMS PRODUCED IN FISCAL YEAR 1973 AND NOW IN PRODUCTION,
AND A LIST OF THE FILMS ACQUIRED BY USIA DURING FISCAL YEAR 1973

Original Productions Released In Fiscal Year 1973

1. Africa—United States Trade Relations.
2. Africans Observe Elections '72.
3. Ahora (26 Programs).
4. Ambassador William Eberle Interview.
5. American Experience, The.
6. American Family, An.
7. Anwar Neuri Interview.
8. Bangkok Satellite—U.S. President Election.
Roundtable Program.
9. Correspondent Commentaries (237 Programs)
10. Crusade Against Cancer, The.
11. Dere Mr. President.
12. Dr. Borlaug 'Un Dunyasi' (The World of Dr. Borlaug).
13. Ecuadorean Satellite Inaugural Show.
14. Election '72—The American Decision.
15. Election Week—Brazil (19 Programs).
16. Electronic Dialogue: New Urban Technologies.
17. Fayrouz Tours the United States.
18. Flowers.
19. Future in Your Hands, The.
20. History of Totalitarianism.
21. Horizons (2 Programs).
22. Houses of Worship.
23. Inauguration.
24. Indonesian Report From America (Laporan Dari Amerika) (12 Programs).
25. Interview—Gabriel Hauge.
26. Israeli Satellite Inaugural.
27. Joan Murray Interview.
28. Journey to the Presidency.
29. Kissinger Statement October 26, 1972.
30. Las Elecciones (The Elections).
31. Mylar Glass.
32. NBTI Interview.
33. On Polish Soil.
34. One Man: Joseph Papp.
35. One Man: Lionel Hampton.
36. One Man: Oswald Roels.
37. Panama Canal Negotiations—Special Report.
38. Philip Trezise for Infomat.
39. Portrait: Graham Hovey.
40. Pre-Election Interviews for Mexico.

41. Private Investment.
42. Profile: Alene Bertha Duerk.
43. Profile: Pete Flaherty.
44. Rearlidaes (Correspondente Internacional) (37 Programs).
45. Report From the U.S. (Thai Report) (18 Programs).
46. Rusk Interview for Brussels.
47. Sacraments.
48. Science Report (12 Programs).
49. Special Thematic and Package Programs for ICS (30).
50. Summer Fever.
51. Taufiq in America—A Poet's Odyssey
52. Teaching English.
53. Test of Time, The.
54. Time for Celebration, A.
55. Time for Peace, A.
56. U.S. Policy Toward South Asia.
57. Video Support Interviews (27 Programs).
58. Vision (12 Programs).
59. Washington Correspondent (1,384 Programs.)

ACQUISITIONS RELEASED IN FISCAL YEAR 1973

1. Africa's Gift.
2. An Added Sense: The Detection of Nuclear Radiation.
3. Anna Sokolow Directs Odes.
4. Antonini's China.
5. Apollo 17.
6. Apollo 17 Preflight.
7. Appalachian Woodcrafters.
8. Art of the Conservator.
9. Backstroke.
10. Balloons.
11. Before the Mountain Was Moved.
12. Bend in the Niger, The.
13. Bernie Casey.
14. Billie Jean King.
15. Blacksmith Workshop.
16. Break the Record.
17. Breast Stroke.
18. Butterfly.
19. Calvin Murphy: The Mighty Mite.
20. Career Guidance: Cooperative Occupational Education.
21. CBS—Final Interview with President L. Johnson.
22. CBS 60 Minutes—International Drug Traffic.
23. Chain of Life.
24. Change: Training Teachers for Innovation.
25. Charlie and the Golden Harvester.
26. City I See, The.
27. Coming of Shale, The.
28. Congo, The.
29. Connections, The.
30. Consecration of the House.
31. Consider the Process of Living.
32. Coping with Quakes.
33. Country Vet.
34. Danger Alive.
35. Date with Disaster, A.
36. Dear Kurt (A Letter to Kurt).
37. Design for a City.
38. Dream That Changed the Desert, The.
39. Effective Executive Series.
40. Electricity—Principles of Safety.
41. Electronics: The Career That Serves.
42. Environmental Awareness #1 (Fingerpainting).
43. Environmental Enrichment: What You Can Do About It.
44. Escape to Montana's Glacier National Park.

45. Ezra Jack Keats.
46. Face the Nation—Five Programs :
 Golda Meir.
 George Shultz.
 Joseph Sisco.
 President Thieu.
 Secretary Rogers.
47. Father, The.
48. Fifty One Percent.
49. Fire Mountain.
50. First Pollution.
51. For Your Pleasure.
52. Future Shock.
53. Gemini Fire Extinguisher.
54. General, The.
55. George Washington Bridge.
56. Geyser Valley.
57. Goin' to Cades Cove.
58. Guide to Tennis.
59. Harry Jackson : A Man and His Art.
60. Hawaii's Asian Heritage.
61. Hello, I Need to Tell You Something.
62. Hollywood—The Dream Factory.
63. How About High School.
64. How the Big Rock Plant Makes Electricity.
65. How the Palisades Plant Makes Electricity.
66. How Young I Was.
67. Hurricane.
68. Ice Boating.
69. Indian Artists of the Southwest.
70. Indian Pottery of San Ildefonso.
71. Industrial Revolution : Beginnings in the U.S.
72. Interview with Walter Stoessel.
73. Kalb—Kissinger Interview.
74. Lamps in the Workplace.
75. Laser Light.
76. Last Wagon, The.
77. Learning.
78. Legacy Arcadia.
79. Legacy Olympia.
80. Life on the Line.
81. Lincoln Center International Choral Festival.
82. Literature in America—Novel of the 20th Century.
83. Living Constitution, A.
84. Lost and Found.
85. Man and His Natural Environment : The Creek.
86. Man Called Edison, A.
87. Martin Agronski Evening Edition : Cuba.
88. Meet the Press—Four Programs :
 Ambassador Sullivan.
 George Meany.
 Prime Minister of Singapore.
 Senator Brooke.
89. Motion.
90. Mountain Skywater.
91. Natural Gas Fuel Cell.
92. New View of Space.
93. Nigeria : Its Art and Its People.
94. 1972 Highlights—NASA—A Special Report.
95. Nixon Doctrine, The (Part 1).
96. Nixon Years, The—Change Without Chaos.
97. Norman Rockwell's World—An American Dream.
98. Nostalgia.
99. Nuclear Power in the U.S.
100. Of Art and Minting.
101. Of Rivers and Men.

102. Old and the New Foreign Policy, The.
103. One Hundred Twenty Five Years Later.
104. On Loan From Russia.
105. Oscar.
106. Personalized Education Programs Utilizing Cognitive Style Mapping.
107. Photography as an Art.
108. Pipeline People.
109. Professor Klineberg Interviews.
110. Program of Songs by Lightnin' Sam Hopkins.
111. Pros, The.
112. Psychics, Saints and Scientists.
113. Putting the Sun to Work.
114. Ranching (Outlaw Trails).
115. Realities of Blindness, The.
116. Ronald V. Dellums—A Test of Coalition Politics.
117. Sea Venture.
118. Senator George McGovern: A Biography.
119. Shah Naneh Exhibit.
120. Signature Against the Sky.
121. Sinai Reefs.
122. Skylab Preflight.
123. Slave Coast, The.
124. Snowmobile.
125. Solo.
126. Sonny and Cher Segment.
127. Sort of a Commercial for an Icebag.
128. Source, The.
129. Space in the Age of Aquarius.
130. Spang Makund.
131. Spiral Jetty.
132. Steel Reefs, The.
133. Strategic Sufficiency: How Much is Enough.
134. Struggle for a Border.
135. They Sing of a Heaven.
136. This is the Way We Go to School.
137. To Bottle the Sun.
138. To Build a Fire.
139. Tomorrow Begins Yesterday.
140. Training and Conditioning.
141. Transpo '72 (Ford).
142. Tuft of Flowers.
143. U.S. Congress: Of, By and For the People.
144. Very Special Place, A.
145. What's Happening Series—Barn Burning.
146. Where We Stand.
147. Who Built This Place.
148. Wild and Wonderful World of Auto Racing.
149. Willem De Kooning.
150. Wind is Right, The.
151. With These Hands.

Original Productions Released or in Production in Fiscal Year 1974

1. Ahora (9 Programs).
2. American Experiment, The.
3. American Foundation and World Progress, The.
4. American Ivory Coast Dialogue.
5. American Summer.
6. Apollo Decade.
7. Aviation, Gateway to Latin America.
8. Butterfield Interview.
9. Congratulatory Messages for Channel 4 Quito.
10. Conversation With Vice President Gerald R. Ford.
11. Correspondent Commentaries (17 Programs).
12. Counseling Foreign Students.
13. Current Affairs Features.

14. Dr. Anada Kentish Coomaraswamy.
15. Drug Abuse in the World Today.
16. Drugs: Menace for Mankind.
17. Durden Interview—Nigeria.
18. Energy Crisis & the Less Developed Countries.
19. Franchise Business in the U.S., The.
20. Future in Your Hands, The.
21. George Washington Trail Country.
22. Indonesian Report From America (Laporan Dari Amerika) (6 Programs).
23. Interview With Pierre Monoslet.
24. Interview With Steven Lazarus.
25. Multi-National Journalists Project.
26. Nation On the Go, A.
27. Nepal in Transition.
28. New South, The.
29. Nixon Doctrine, The.
30. Now.
31. Perspectives: Phase IV.
32. Praise the Day in the Evening.
33. President Nixon's Invitation to the World.
34. Prelude to a Treaty.
35. Profile: Aaron Copland.
36. Profile: Emmett Edwards.
37. Profile: Gail Parker.
38. Profile: Joan Ganz Cooney.
39. Profile: Tom Bradley.
40. Realidades (7 Programs).
41. Rendezvous With the Sun.
42. Report From the U.S. (Thai Report) (6 Programs).
43. Santa Fe.
44. Science Report (6 Programs).
45. Shaping of America.
46. Skylab—Outpost in Space.
47. Speaking of America (Eisenhower Fellowships Interviews).
48. Special Facilitative Co-ops (3).
49. Special Thematic and Package Programs for ICS (33).
50. Team Spirit, The.
51. Tehran Trade Fair.
52. 13th Anniversary WNBS-TV (Nigeria).
53. Tiny World, The.
54. Three.
55. Trade Opportunities Program (TOP).
56. University Today, The.
57. Video Support Interviews (57 Programs).
58. Vision (6 Programs).
59. Visionaries, The.
60. Washington Correspondent (538 Programs).

Senator SPARKMAN. All right, Mr. Keogh. We are very glad to have you, sir, all of you, we are glad to hear you. I may say we had quite a discussion on the Senate floor yesterday regarding the USIA proposal. I had a pretty difficult job because the other Senators were asking me detailed questions and I told them they simply would have to wait for the explanation of some of those items until I had the hearings. If you haven't seen the Congressional Record, you may want to read it.

STATEMENT OF HON. JAMES KEOGH, DIRECTOR, U.S. INFORMATION AGENCY; ACCOMPANIED BY EUGENE P. KOPP, DEPUTY DIRECTOR

Mr. KEOGH. Thank you very much, Mr. Chairman, and Senator Pearson.

We certainly will attempt to provide all of the information that you need for that supplemental authorization that was under discussion yesterday.

Senator SPARKMAN. Very well.

Mr. KEOGH. Last year—

Senator SPARKMAN. May I say it is even more important that you provide it to the Appropriations Committee.

Mr. KEOGH. Yes; indeed.

Last year I came before this committee as the newly appointed Director of an agency that Congress authorized some 20 years ago to carry out and coordinate information and cultural programs for the United States. This has not been an easy year for telling America's story to the world. Yet I remain as convinced as ever that there is a great story to be told. I am confident that we are exerting our best efforts and skills—within the normal human limitations—to tell that story effectively. I am determined that we shall continue to strive for improvement in our effectiveness.

NEW DIRECTIONS TAKEN BY USIA

In this past year, I believe, we have made significant changes in the philosophy, organization, management and operations of the U.S. Information Agency. The new directions we have taken affect the substance as well as the tone and style of USIA activities. They respond to new opportunities and national priorities and will, I believe, make USIA a more effective arm of American diplomacy.

Let me say that the attitudes and recommendations of the relevant committees of the Congress and of the U.S. Advisory Commission on Information had an important impact on the new directions we have taken.

We have made a concerted effort to improve communication, coordination and cooperation with the Department of State.

I believe that this effort has resulted in better relationships at all levels, from the top down. USIA's very special association with the Bureau of Educational and Cultural Affairs is, in our view, working effectively. Our goal has been to contribute to a situation in which the elements of the foreign policy structure of the United States are genuinely working in concert for a clear and common purpose.

Détente has presented the United States and the world with new opportunities for constructive dialog which USIA is in a unique position to foster. It has also produced new complexities, not only in international relationships but also in attitudes within this country. To seize the opportunities USIA has concentrated on innovative ways to open or improve channels of communication with other nations, particularly the Communist countries.

Perhaps of the greatest significance is our new communications relationship with the Soviet Union. An important element in that is the fact that the U.S.S.R. no longer jams the Voice of America. After five consecutive years of steady jamming, the electronic blockade by the Soviet Union ceased last September 10, without explanation and without advance notice. This presented us with a new and vastly larger audience within the Soviet Union.

Since the jamming ceased, we have been able to change our programming to provide more variety and thus to attract and hold the greater audience. We have not changed the way we handle news and comment. On its news programs, the Voice of America broadcasts to the world—including the Soviet Union—what is being done and said on major issues in the United States and around the world. This includes full coverage of such issues in the Soviet Union as the dissidence and exile of Alexander Solzhenitsyn, as well as the question of Jewish emigration. We try to report all of this factually and fairly, including comment on these issues by important journals and public figures in the United States and elsewhere in the world. What we do not do—as the official radio of the United States—is indulge in our own polemics aimed at changing the internal structure of the Soviet Union.

The USIA policy in this matter has been developed in close cooperation with the Department of State.

Let me turn now to another aspect of USIA's approaches to the Soviet Union and Eastern Europe. During 1973, we had eight major exhibits in six countries, dealing with American approaches to research and development, outdoor recreation, progress and the environment, educational technology, and the automobile. Some 3 million people visited these exhibits. The Soviet Union and Eastern European countries not only cooperated with us in staging them, but for the first time even accorded them a guarded measure of favorable publicity.

Amid this favorable turn of events, we do not lose sight of the fact that the values and ideology in those countries are often opposed and sometimes hostile to ours. We recognize that there are conflicting national interests. There is no end to the competition either in the political sphere or in the realm of ideas. General Secretary Brezhnev himself has said that détente does "not signify in any way the possibility of relaxing the ideological struggle."

While that struggle goes on, the aim of USIA is to open as many doors of communication as possible.

USIA SUPPORT FOR U.S. ECONOMIC PROGRAMS

In a new, major new emphasis, USIA in 1973 set out on an effort to support the programs of the U.S. Government in the economic field. This involves close cooperation with the Departments of State and Commerce, including the U.S. Travel Service.

There are two important goals in this effort. One, new to USIA, is improvement in the U.S. balance of payments. The other is a variation on USIA's traditional mission: greater communication among peoples, to be achieved in this case by encouraging more people from abroad to visit the United States and encouraging the marketing of more U.S. products overseas.

In this effort, we report on American scientific and technical achievements, including research and development of new products and techniques. We seek to portray the United States as an attractive and easy place to visit. Our approach is kaleidoscopic. To cite just a few examples: We launched a new quarterly magazine, "Economic Impact," devoted to explanation of the economy and the foreign economic poli-

cies of the United States; inaugurated a Voice of America series of weekly broadcasts on "New Products—U.S.A."; devoted an issue of "Trends," our magazine in Japan, entirely to U.S. tourism, including a State-by-State listing of opportunities. We regard this new emphasis, which we are adding to our larger and more traditional role, as part of an effort to mobilize the entire foreign affairs establishment in support of U.S. economic interests.

REORGANIZATION OF USIA HEADQUARTERS

In the interests of good management and in order to effect staff reductions, we have carried out a considerable reorganization of USIA headquarters in the past year. While I will not burden you with detail, I will point out that the changes included consolidation of three evaluation and analysis staffs into one and the reduction in the number of our area offices from seven to six. In this fiscal year, we have eliminated 343 positions.

Part of the reorganization was aimed at more effective performance of our programs. We clarified and shifted responsibilities in a way designed to bring about better communication, coordination, and cooperation among all elements of the Agency—media, area offices, and posts. We changed our approach to inspections from a fixed rotation schedule to a more flexible basis so that inspections can have more relevance to the requirements of good management. In our research efforts, stronger emphasis is being placed on study of the effectiveness of our products and activities.

While our general thrust was to decrease the headquarters establishment, there was one addition to our structure in Washington. We created an Office of Equal Employment Opportunity under an assistant director and a coordinator of women's affairs. USIA has had a good record in this field, but we believed that it was necessary to foster a positive movement, and we are confident that our experienced and dedicated team in charge of that office are carrying out that objective.

From the standpoint of overall management, a significant change was made in the operation of the Agency's executive committee. Its membership and functions were expanded, and it has become the principal body for the review, discussion, and formulation of Agency decisions on policy and allocation of resources. While the committee previously was chaired by the Deputy Director, the Director now takes that role.

At the beginning of this fiscal year, USIA published 56 periodicals. We have reduced that number to 13. This was achieved by eliminating 20 periodicals and consolidating 21 into a new bimonthly—"Horizons U.S.A."—which will employ the regional magazine principle to permit insert of pages of material reflecting the interests of particular countries and regions. This will, I believe, give us higher quality and better coordination in our publications.

During the year, we also made changes in our Wireless File to tighten its content and reduce the transmission time. As a result of questions raised in last year's Congressional hearings, we conducted a major survey of more than 100 Chiefs of Mission around the world as well as ranking State Department officials in Washington, and found that they overwhelmingly endorse the wireless file

as a major instrument of foreign policy support and a most valued source for mission information and programming.

In films, we are placing greater emphasis on acquisition and are concentrating on fewer but high-quality productions of our own, largely designed around priority themes and for specific audiences and regions. We are also placing new emphasis on cooperative ventures in which USIA facilitates foreign film/TV production.

Our use of newer communications techniques is being expanded. Particularly effective is the VTR; relatively low-cost Agency-produced or acquired videotape recordings, relayed by closed-circuit TV to special audiences and featuring authoritative experts or panels on subjects of priority concern. A further refinement is electronic dialog, in which the VTR showing is followed by a telephone discussion between audience and speakers.

Of course, when a live speaker can be there with his audience, so much the better. We do not overlook such opportunities and we make a special effort to be aware of the travel plans of Members of Congress and other persons of prominence, willing to volunteer their time for exposure to audiences abroad.

TREATMENT OF WATERGATE, RELATED MATTERS

One of the most sensitive questions for USIA during the past year was the treatment of Watergate and related matters. Some Members of the Congress have taken the position that the Voice of America should not tell the world anything about Watergate.

Some of the press have argued that VOA should handle the story just the way a commercial network or newspaper would handle it.

The world is already being told about Watergate by a variety of other media, American and foreign. Since VOA is a news medium, it could not and should not ignore the story. As with other domestic issues, VOA seeks to put the Watergate story in context for overseas audiences.

On VOA news programs, we report the story of the Watergate affair fairly and factually. We do not deal in rumor, hearsay, speculation, or anonymous accusations. Nor is our treatment of Watergate or any other story sensational or obsessive.

In explaining what is happening in this country as a result of the Watergate affair, we try to make the point to our overseas audiences that what they are seeing and hearing is this free and open society working out a problem. Charges against people in high places have been brought forward and extended largely by the free press. These charges have been investigated by the legislative branch—through the Senate Select Committee, and by the judicial branch—through the grand jury system. The interplay of all these forces in our society—the free press, the executive branch, the legislative branch, the judicial branch—is being carried out very much in public. Ultimately, the problem will be resolved. Whatever remedial steps may be necessary will be taken. The U.S. system moves on.

COMMUNICATION ACTIVITY BY OTHER COUNTRIES

If the United States is to counter the distortion and negativism in the picture of this country often perceived in many parts of the

world, it must remain competitive in the field of official informational and cultural activity.

It is vital to realize that the communications activity by other countries with different perspectives continues to expand. Our latest figures on these foreign efforts have been made available to you and I will mention here only a few examples. Total French outlay in 1973 for informational and cultural activities abroad, including teaching, was \$487 million, or over 1 percent of the national budget. In 1974, we estimate that their spending will be even higher. The German Federal Republic spent \$351 million last year. The Soviet Union spent an estimated \$900 million.

USIA BUDGET REQUEST

We have provided the committee with a document which summarizes the Agency's programs and resource requirements. In total, we are presently requesting \$242,638,000 for fiscal year 1975. This estimate provides \$231,468,000 in operating funds, \$6,770,000 for special international exhibitions in the U.S.S.R. and Eastern Europe, and \$4,400,000 for improvement of radio facilities.

Our budget is basically one of consolidation following the fund and staff reductions of this year. The increases for 1975, totaling \$21.7 million, are requested primarily to meet substantial salary and cost increases. Part of our increase is intended to capitalize on several unique program opportunities.

The principal components of change in our authorization request include:

1. Built-in salary and cost changes required for the staff and for programs that will continue from this year. The net increase requested for this purpose is \$16.0 million, including the newly required payment of \$5.4 million to the General Services Administration for the costs of domestic space occupied by the Agency, and \$10.6 million for wage and price increases and other built-in cost changes.

2. The approaching bicentennial affords a major opportunity for USIA's continuous effort to project the positive things about our country as well as the economic objectives. I am asking your support for two new programs, in which we think USIA participation would be particularly beneficial.

One, the partnerships project—foresees a variety of dialogue activities under local sponsorship in some 50 countries, bringing together prominent foreign nationals who have previously visited the United States with Americans knowledgeable of the countries involved. I believe these activities will reinforce and radiate at a high level, a deeper understanding of our country. This would cost \$1,600,000. The other is the showing in Europe of a major multimedia exhibit, The World of Franklin and Jefferson, which is now being designed for presentation in the United States by the American Revolution Bicentennial Administration. The work and ideas of these towering figures of course epitomize the historic interrelationship of America and Europe and we are fortunate to receive ARBA's permission to use this exhibition abroad. The cost would be \$100,000.

3. We expect the evolving relationship with the German Democratic Republic to enable us to establish a selective information and cultural

operation in East Germany. The initiation of such a program will require 15 positions and \$691,000.

4. Additional informational and cultural program support for the U.S. liaison office in Peking. An increase of \$64,000 is requested for this purpose.

5. The improvement of the antenna complements of the Voice of America Relay Stations at Dixon and Delano, Calif. The project will eliminate antenna deficiencies in VOA transmission networks carrying programs to East Asia. The proposed improvements will require the addition of two positions and \$36,000 in the salaries and expenses appropriation and \$2.8 million in the acquisitions and construction account.

6. A program in India to publish American science textbooks. Ambassador Moynihan places great importance on this effort to carry forward a program that has been underway for a number of years under USAID financing. This book program will require \$400,000 in foreign currency funds.

7. An increase of \$65,000 in representation allowances to offset continuing cost increases and to provide partial financial relief to USIS officers who, in 1973, spent over \$190,000 from their personal funds for necessary representational functions.

With reductions applied to Agency resources in 1974, the Agency's staff will total 9,516, a decrease of over 21 percent since 1967. Inflation has effectively reduced our operating funds by over 20 percent during this same period although actual appropriations have risen (from \$163.1 million in 1967 to the 1974 level of \$209.1 million). The 1975 request will cover increased costs and enable us to exploit several important new opportunities without further disruption of our operating base. I believe these resources are necessary to accomplish the job which the Congress and the people have the right to expect.

USIA'S EFFORTS CONTRIBUTING TO ADVANCEMENT OF NATIONAL GOALS

I have tried to set forth my thinking on the nature of our essential task and what USIA is doing—and hopes to do—to accomplish it well. Information from many sources suggests that our efforts are contributing significantly to the advancement of national goals. Admittedly it is universally difficult to measure with precision the final results of programs which necessarily deal with the intangibles of human attitudes. Within these limits, however, we are continuing to seek ways to improve our evaluation efforts.

We will continue to maintain what I believe is a good record in making available to the Congress, as expeditiously and completely as we can, the information you need to exercise your responsibilities. I thank the many Members of Congress who have assisted our overseas activities so generously and hope that even more will participate.

It is now widely recognized in the world that informational cultural activities on the part of major countries constitute not short-term phenomena but regular instruments of foreign policy.

I believe that during the past year we have strengthened and refined the U.S. effort. As we enter the Bicentennial era, I am hopeful that, with your help and the dedication of our staff, we shall continue to make a positive contribution to the conduct of the Nation's foreign policy.

Mr. Chairman and members of the committee, Mr. Kopp, Mr. Silverman and I will attempt to answer whatever questions you may have of us.

Senator SPARKMAN. Thank you very much. It is a very good statement and we are glad to have the details that you gave us.

TOTAL BUDGET REQUEST

Let me ask this question right off. You gave a figure of \$242.6 million. Is that your total budget request for the new fiscal year?

Mr. KEOGH. That is correct.

Senator SPARKMAN. And all of those various items that you named following that are a part of that \$242 million-plus?

Mr. KEOGH. That is correct, Mr. Chairman.

ESTIMATED SOVIET UNION SPENDING

Senator SPARKMAN. And you estimate that the Soviet Union is spending about \$900 million?

Mr. KEOGH. Yes, Mr. Chairman, that is our estimate.

NEW STATEMENT OF MISSION FOR AGENCY

Senator SPARKMAN. At last year's hearings you spoke of your intention to develop a new statement of mission for the Agency. Has that been done?

Mr. KEOGH. Mr. Chairman, we have drafted and proposed a new statement of mission for the Agency. It is now within the foreign policy establishment under consideration. It has not been issued.

Senator SPARKMAN. Would that supersede the statement that was issued, I believe, during the Kennedy administration in 1963?

Mr. KEOGH. That is correct. That was the last time a statement of mission was issued.

Senator SPARKMAN. And this is going through the channels of the State Department, is that right?

Mr. KEOGH. That is correct.

AGENCY AND STUDY COMMISSION

Senator SPARKMAN. What has happened thus far between the Agency and the Commission on the Organization of the Government for the Conduct of Foreign Policy?

Mr. KEOGH. We have presented a large document about the Agency to that Commission and I have testified before the Commission at some length to describe our activities and to project our thoughts about the Agency and its operations.

PHYSICAL APPEARANCE OF USIA FACILITIES OVERSEAS

Senator SPARKMAN. The physical appearance of USIA facilities overseas have an integral relationship to the effectiveness of the Agency's work. By what means does USIA attempt to incorporate the best in American architecture and interior design in the Agency's centers and in the various exhibits that it may have abroad?

Mr. KEOGH. Well, Mr. Chairman, we do that by a number of means. Now, so far as the physical properties are concerned—the centers and the libraries and offices overseas—we have in our Office of Administration and Management a staff that deals with the matter of design.

We are at this very time close to completing the process of issuing a new set of guidelines for design and decoration for these installations and we are also in the middle of a process of attempting to strengthen that office to try to bring an improvement and coordination of the design and layout of our facilities.

The matter of exhibit design is handled in a different way. It is handled through our Information Center Service largely, and the effort is made in connection with each specific exhibit to get the very best design talent that it is possible for us to get.

ASSISTANCE IN BALANCE OF PAYMENTS SITUATION

Senator SPARKMAN. You mentioned in your statement that USIA operations had helped to some extent in our very difficult balance-of-payments situation, and I believe you also mentioned the activity in tourism and in exports. Are those the ones that assisted, as you say, in our balance-of-payments situation?

Mr. KEOGH. Mr. Chairman, that is a program on which we really have just begun within the past year to place new emphasis. I would not say or try to say that we could yet claim that we have shown any results in improvement in the balance of payments. I wouldn't want to say that yet. But that is a new strong emphasis in the Agency to support the Department of State and the Department of Commerce programs for export expansion and tourism, and one of our principal reasons for that thrust is concern for the balance of payments and our intention to do whatever we can to help improve it.

PROGRAM IN JAPAN

Senator SPARKMAN. In Japan the Agency has developed an innovative approach to carrying out the role. Would you discuss this briefly and tell us if the Agency's Japanese program may be used elsewhere?

Mr. KEOGH. The program in Japan is one that uses a number of new techniques, particularly with regard to selection of and approach to specific audiences. It is particularly well suited to a highly developed society such as the society of Japan, and a society in which there is a strong communications system in existence.

We have been over the past year studying this very carefully to see whether parts of it will be applicable in other areas, and this is a matter that we have not yet reached a conclusion on, but we strongly believe that while it is certainly not possible to transfer a whole program from one country to another, that there will be some aspects of this new and experimental program that will be useful to us in other parts of the world.

Senator SPARKMAN. Senator Aiken?

U. S. INITIATIVES IN MIDDLE EAST

Senator AIKEN. Mr. Keogh, I was just wondering, what event for which the United States has been primarily responsible do you con-

sider to have been of greatest interest and import to the world during the past year.

Mr. KEOGH. I would say, Mr. Chairman, that is an extremely difficult question to answer but I will try to answer it. To single out one event or development in a situation of this kind is always difficult. But I believe, that the U.S. initiatives in the Middle East have probably been the most significant in the past year if one had to choose a single issue or event.

IMPORTANCE OF SKYLAB

Senator AIKEN. What importance would you give to Skylab?

Mr. KEOGH. I think Skylab is of tremendous importance, and is of, in fact, far greater interest abroad than it is in the United States. Unfortunately in the United States we seem to have become bored with space achievement.

Senator AIKEN. That is right.

Mr. KEOGH. But it is of enormous interest around the world, and of course, of great, of long term significance in the world.

Senator AIKEN. In the long run, probably the most important event of the year.

Mr. KEOGH. I think I would agree with that.

Senator AIKEN. To the universe, the whole universe. Yes, indeed.

You have given that quite a lot of coverage then.

Mr. KEOGH. Yes; we have given it a great deal of coverage. We have made a film of it and we will ultimately acquire for our use and distribution a NASA film about it.

Senator AIKEN. Did you give Skylab as much coverage as you gave Watergate?

Mr. KEOGH. I would need to look at the figures, Senator, but I think off the top of my head I would have to say that the answer to that question is probably no.

Senator AIKEN. Is no.

Then you would say that the rest of the world is probably more interested in politics than in progress, is that correct?

[Laughter.]

Mr. KEOGH. I would say, Mr. Chairman, that as the news goes that the answer to that question is yes.

Senator AIKEN. We know that good news doesn't sell newspapers, but on the other hand it is nice to hear it once in a while.

Mr. KEOGH. Exactly.

AGRICULTURAL EXPORTS FROM U.S. TO REST OF WORLD

Senator AIKEN. I heard some reference to balance of trade.

Senator SPARKMAN. Balance of payments.

Senator AIKEN. Balance of payments.

What about the coverage given to the agricultural exports from the United States to the rest of the world. Have you covered that pretty thoroughly?

Mr. KEOGH. Yes, we have covered that very thoroughly.

Senator AIKEN. Both as a means of balancing our own trade, of course, or helping to balance it, and also doing away with famine, hunger, disease in other countries?

Mr. KEOGH. Yes, sir. That has been a major point with our, in our coverage.

WHAT U.S. HAS DONE FOR REST OF WORLD

Senator AIKEN. I think you might perhaps rerun that speech given by our Canadian friends as to what the United States has done for the rest of the world.

Mr. KEOGH. Yes, Mr.—

Senator AIKEN. I believe the Canadian program carried it last night. It sounded pretty good.

Mr. KEOGH. Yes, it is a very effective speech.

Senator AIKEN. Well, I think when there is trouble anywhere the United States is the first there, no question about that, I mean severe trouble, crisis, famine, all those things.

COVERAGE POLICY

You say this has not been an easy year for telling America's story to the world. Has that been on account of jamming or why wasn't it an easy year? A lot of good things happened here even if they didn't get too much publicity.

Mr. KEOGH. Yes, Senator, my reference there is to the fact that there has been this enormous news interest in the news media around the world, almost everywhere in the world in our political problems within the United States. That has been the very large thrust of the news that has been delivered to the rest of the world by the commercial news media, and—one thing, very important thing, that we try to do is to place the larger picture of the United States in perspective and convey an impression of the whole country.

The heavy coverage of our difficulties in the news has made the presentation of the total picture more difficult.

Senator AIKEN. Yes.

Are you giving the comment made by Congressman Wilbur Mills a couple of days ago good coverage around the world, as good coverage as the Washington Post and the New York Times have been giving him editorially this morning?

Mr. KEOGH. I do not know specifically, I can't cite specifically how or what we have used in the news programs on the Voice of America on that issue. I would assume, though, that under our normal broadcasting policy that Congressman Mills' statement would have been used on our news programs.

Senator AIKEN. And then would you use the comment of the New York Times and the Washington Post perhaps the next day?

Mr. KEOGH. Yes, that would follow in the normal pattern.

Senator AIKEN. Well, that is all. That is enough of that stuff.

Senator SPARKMAN. Senator Pearson?

WHY SOVIET UNION CEASED JAMMING

Senator PEARSON. Mr. Keogh, I find it somewhat difficult to accept the proposition that the Soviet Union ceased to jam in September merely because this was a new manifestation of better communica-

tion. You said in your statement that your emphasis and content in news had not changed since the jamming had ceased. Have you taken a look and sought to analyze as to whether or not the thrust or the emphasis and content of the programs of USIA and Voice of America programs prior to September 10 had changed its direction at all?

Mr. KEOGH. Senator Pearson——

Senator PEARSON. I am trying to ask a question to find out whether or not any alteration of programs and emphasis had led the Soviet Union to cease to jam our Voice of America.

Mr. KEOGH. Senator Pearson, we don't know why the Soviet Union decided to stop jamming. At the same time they stopped jamming the Voice of America they also stopped jamming BBC and Deutsche Welle, the West German radio operation. As to why they did that, there has never been any explanation so we just do not have an answer to that question.

Senator PEARSON. Do you have any opinion as to why they did it? Do you have a guess?

Mr. KEOGH. Yes, sir, I have a guess.

Senator PEARSON. Would you care to put that on the record?

Mr. KEOGH. Well, it is always a bit sensitive to put guesses on the record but I think I would make the guess that the Soviet Union stopped jamming these radios as a part of its position on the general discussion about communications among nations, and that the cessation of jamming of these stations was in a sense their effort to show that they would permit that kind of broadcasting without an effort to stop such information from coming in. In other words, what I am saying is I think it was a matter of strategy.

Senator PEARSON. Was the jamming effective?

Mr. KEOGH. The jamming was effective to a considerable degree. For example, we now know that the Voice of America comes in in a much better way across the Soviet Union than it did while jamming occurred, so that there is quite a substantial difference.

Once again it is very difficult for us to estimate, to have a good solid estimate of what our audience is, but the information we get now gives us a very clear impression that we have a much larger audience than we had before. Before listeners in the Soviet Union had to do so in a way that could best be described I think as secretive. Now, the Voice of America is listened to openly. So we are sure that we have a much larger audience than we had before.

ROLE OF AGENCY IN RELATION TO U.S. FOREIGN POLICY

Senator PEARSON. What is your role, what is the role of your Agency and your programs, in relation to U.S. foreign policy? It is certainly not adverse to the general principles. Do you see yourself in an advocacy role, supportive role?

Mr. KEOGH. We see ourselves——

Senator PEARSON. Or an educational role?

Mr. KEOGH. We see ourselves as educational and supportive. We feel that, and I believe that it is really stated, that the mission of USIA is to explain the foreign policy of the United States, and to support the foreign policy of the United States.

AGENCY'S ROLE IN ECONOMIC AFFAIRS

Senator PEARSON. Let me just express some concern about your description of your role in economic affairs. I get the somewhat cynical impression at times that the Department of State has, in country by country, become an extension of the U.S. Chamber of Commerce and that their sole and main activity has been to hustle business for American businessmen. There is an overemphasis on that particular part of their activities. I am sure that you haven't placed that kind of an emphasis on economic development, but I would hope that wouldn't become such a major part of the educational and cultural exchange that you drift off into this commercial activity, which I think in many countries, the State Department has done. I don't intimate that I get the impression you have. I just have that concern about some of the statements you made in your enlarging role in the economic field.

Mr. KEOGH. Senator Pearson, our new efforts in the economic field are based on the belief that the economic problems that the United States faces with regard to the balance of payments and other economic issues are now and in the years ahead are very likely to be the most serious problems that we face. And it is our conviction that the U.S. Information Agency should play, along with its larger and more traditional role, the very best role it can in supporting the economic interests of the United States.

USIA'S REQUEST TO BUILD TRANSMITTER IN KOREA

Senator PEARSON. Last year the committee, and then the Congress, denied USIA's request to build a new transmitter in Korea, costing over \$30 million, to replace the Okinawa transmitter.

Does the agency plan to renew this request?

Mr. KEOGH. Yes, Senator Pearson, we do. It is a contingency part, I believe would be the best way to describe it, of this year's budget presentation but we have not asked for it specifically because of the position taken by the Congress last year. We are not yet as far along with regard to negotiations and contract as the Congress indicated that it wanted us to be before we made a specific request.

USIA INSTALLATIONS IN CENTRAL AND EASTERN EUROPE

Senator PEARSON. Thank you very much. I would like to say, Mr. Chairman, that I had the opportunity a couple of weeks ago to spend about a week in central and eastern Europe and looked at some USIA installations and, Mr. Keogh, I was very much impressed with the personnel and the installations, particularly some of the library facilities. I thought it was very impressive and the job your people are doing is a very good job to the extent that I was able to make any judgment at all.

Mr. KEOGH. Senator, we certainly thank you for taking your time to help us out in that way. It is always a great help to us when we have an opening, an event when we can have a Member of the U.S. Senate there to help us out.

Senator PEARSON. Mr. Chairman, I have another committee I have to go to.

NUMBER AND DISTRIBUTION OF EMPLOYEES

Senator SPARKMAN. Mr. Keogh, I believe you gave the number of employees in your statement, did you not?

Mr. KEOGH. Yes; I did.

Senator SPARKMAN. That was 343?

Mr. KEOGH. The total number of employees, sir?

Senator SPARKMAN. Yes.

Mr. KEOGH. The total number of positions is 9,516. And that other figure, Senator, was the number of positions, 343 is the number of positions we have reduced in the past year.

Senator SPARKMAN. Yes; a reduction of 343.

Mr. KEOGH. Yes, sir.

Senator SPARKMAN. Of this number you have now 9,000 and what?

Mr. KEOGH. 516.

Senator SPARKMAN. 9,516, how are they distributed? How many of them are in the United States and how many of them are out in the field?

Mr. KEOGH. Let me get those specific figures. I can give them to you out of my head in round numbers but let me give you the precise figures. The number in the United States is 3,159, and therefore, the number overseas precisely 6,357. It is roughly, Mr. Chairman, two-thirds overseas and one-third in the United States.

Senator SPARKMAN. As I recall, Chairman Fulbright at the hearings last year, was rather critical of the number in the United States, was he not? Do you recall?

Mr. KEOGH. The report of this committee which was made to the Congress after our hearings made the point that it was the feeling of the committee that the headquarters establishment of USIA should be reduced.

Senator SPARKMAN. Should be reduced?

Mr. KEOGH. Should be reduced.

Senator SPARKMAN. Has it been?

Mr. KEOGH. Yes, sir, it has.

Senator SPARKMAN. By how much?

Mr. KEOGH. Let me get you a specific number. We reduced 88 positions in the headquarters establishment of USIA.

Senator SPARKMAN. Eighty-eight here, so that would be about 255 overseas.

Mr. KEOGH. That would be correct.

"LOCAL" EMPLOYEES

Senator AIKEN. May I ask, Mr. Chairman, what percentage of the 5,100 local employees are Americans, that is a 1974 estimate?

Mr. KEOGH. Excuse me, Senator Aiken, your question is how many of the employees in the United States are Americans?

Senator AIKEN. Yes; because you list them as domestic employees, overseas Americans, and local employees. What is domestic, are those employed here in the United States?

Mr. KEOGH. That is correct, sir.

Senator AIKEN. And the overseas Americans, and then the local employees about 5,300 last year, 5,100 this year. How many of those are Americans?

Mr. KEOGH. Those listed as local employees are all nationals of the countries in which we operate. Those are not Americans.

Senator AIKEN. That answers my question.

Do any of these so-called local employees come in the \$30,000 salary range or the \$25,000 range?

Mr. KEOGH. None over \$30,000, no, sir.

Senator AIKEN. None of them over \$30,000?

Mr. KEOGH. None of the nationals and none over \$25,000.

Senator AIKEN. None over \$25,000. So that means then that about 25 percent of the employees in this country earn \$25,000 a year or more.

Mr. KEOGH. I don't think we have it broken down as to percentages in that way but we can get it for you.

Senator AIKEN. Well, I have numbers here which you submitted to us.

Mr. KEOGH. Yes.

Senator AIKEN. That approximately 1,000 earn in excess of \$25,000, 550 are paid in excess of \$30,000 a year, and then the total number, grand total of 1974 is 3,159 domestic employees, 1,184 overseas Americans which makes about 25 percent earning \$25,000 a year. Those are your figures that I am reading from, I guess.

Mr. KEOGH. I think that, looking at our set of figures which we have by number, Senator, I think that is approximately correct.

Senator AIKEN. Yes. That is all I have got now.

SALARY DISTRIBUTION

Senator SPARKMAN. Mr. Keogh, looking at the study that was made at the request of our committee staff, this table shows the salary distribution of approximately 4,500 American employees. 550 draw salaries in excess of \$30,000 a year and 1,000 earn in excess of \$25,000 a year. It appears to me that it is pretty topheavy.

Mr. KEOGH. Mr. Chairman, USIA is essentially an agency of professionals. We do not have much, do much in the way of the normal clerical kind of work that one finds in a larger Government agency. Our work is essentially at the professional level. Now, these people of upper level salaries are highly trained, highly experienced foreign service officers who are and have a very high professional standard to maintain, and it is the nature of our operation that leads to this high percentage. We do not have—I think you can look almost any place in the USIA in Washington or anywhere in the world and not see this mass of clerical employees that one sees in many other Government agencies. Our work is largely at a professional level, and that is the reason for what seems to be a high percentage of highly paid officers.

Senator SPARKMAN. Yes, I can see that that would certainly not balance off as an ordinary organization which would be expected.

Do you have any more questions of Mr. Keogh?

PRICE OF GASOLINE IN GERMANY

Senator AIKEN. No more questions. I noticed this morning that gasoline in Germany dropped to a \$1 a gallon. It was about \$1.25 about 3 or 4 weeks ago, a gallon.

Senator SPARKMAN. I have no further questions just now.

Mr. KEOGH. I thank you very much, and Senator Aiken, for the opportunity to be here.

Senator SPARKMAN. Thank you, sir.

ORDER OF WITNESSES

If we can have one of the teams come up we will start on that.

Mr. KEOGH. do you designate the order in which they should come?

Mr. KEOGH. Mr. Chairman——

Senator SPARKMAN. They represent regions, as I understand it.

Mr. KEOGH. Yes.

Mr. Chairman, the first of our assistant directors who will testify is Mr. Shirley who is the Area Director for Eastern Europe and the Soviet Union.

Senator SPARKMAN. Fine.

Mr. KEOGH. The second one who will testify is Dorothy Dillon, who is our Area Director for Latin America; and the third who will testify is Mr. Austin, Gilbert Austin, who is our Area Director for Near East, North Africa and South Asia.

Mr. Shirley is here now and ready to testify.

Senator SPARKMAN. Very well.

All right, Mr. Shirley, we will be very glad to hear from you and your associates. Would you introduce the members who are with you and let us know their particular work?

STATEMENT OF JOHN W. SHIRLEY, ASSISTANT DIRECTOR, U.S. INFORMATION AGENCY, SOVIET UNION AND EAST EUROPE; ACCOMPANIED BY KENNETH GIDDENS, DIRECTOR, VOICE OF AMERICA; ROBERT SCOTT, DIRECTOR, MOTION PICTURE SERVICE; HAROLD SCHNEIDMAN, DIRECTOR, INFORMATION CENTER SERVICE; AND LYLE COPMANN, DIRECTOR, PRESS SERVICE

Mr. SHIRLEY. Thank you, thank you very much, Mr. Chairman, I would be glad to.

On my far right is Mr. Kenneth Giddens, who is the Director of the Voice of America; Mr. Robert Scott on my immediate right who is Director of our Motion Picture Service; Mr. Harold Schneidman on my near left who is Director of our Information Centers Service; and Mr. Lyle Copmann on my far left who is the Director of the Press Service.

Senator SPARKMAN. Very well. If you will proceed we would appreciate it.

Mr. SHIRLEY. Thank you, sir.

EVOLVING U.S. RELATIONSHIP WITH U.S.S.R., EASTERN EUROPE

Mr. Chairman and Senator Aiken, information and cultural programs continue to be an important part of the evolving U.S. relationship with the U.S.S.R. and Eastern Europe. The initiatives, agreements, and exchanges of visits which came in the wake of President Nixon's journey to the U.S.S.R. and Poland in 1972 have been followed by increased contacts at both official and popular levels.

Our activities are tailored to the overall relationship between the United States and each of the countries of the area. Generally speaking, our program opportunities in Eastern Europe and the Soviet Union have expanded, as we anticipated in our presentation to the committee a year ago. Throughout the area officials have become more cooperative, while popular audiences have remained as highly responsive as in the past.

In the Soviet Union, for instance, our exhibit "Outdoor Recreation in the United States" has received more official Soviet recognition and more extensive publicity by Soviet media than any exhibit we have previously shown in that country. Since its opening in Moscow in May 1973, the exhibit has thus far been shown in four Soviet cities to audiences totaling more than 1 million. The exhibit, like its predecessors, is staffed with young Russian-speaking American guides who this year, as in previous years, have answered innumerable questions which go far beyond the subject matter of the exhibit. Our next exhibit—to appear in six Soviet cities—will feature technology for the American home.

The Soviet decision in September, 1973, to cease jamming Voice of America transmissions adds an important new dimension to our broadcasts to the U.S.S.R. Our signal is more audible, and Soviet citizens no longer must implicitly defy their Government to listen to the Voice of America. We expect to gain a greatly increased number of listeners, and initial evidence suggests that we have already done so. Since the jamming stopped, changes in program format and scheduling have been made to reach a broader audience than has hitherto been possible. There has been no change in broadcast policies. VOA broadcasts 24 program hours daily to the Soviet Union, 14 hours in Russian and the remainder in 7 other languages.

The assignment of a press and cultural officer in the new American Consulate General in Leningrad has enabled us to increase our programming in this important region of the U.S.S.R.

In Eastern Europe, as in the U.S.S.R., USIA programs have generally expanded. During the past year our officers have been actively involved in exhibits, cultural presentations, educational and other exchanges, distribution of publications and films, and other informational and cultural activities—all of them designed to improve communication with these societies and promote a better understanding of the United States. The level and mix of these activities has, of course, varied from country to country, depending upon the local situation. VOA has continued to broadcast to the peoples of Eastern Europe in nine languages for a total of 12½ hours daily, and in all of these countries, with the exception of Bulgaria where VOA is jammed, we continue to receive evidence of a wide and interested listenership.

The USIA program in Yugoslavia continues to reflect the good relations that exist between the United States and that country. The recently opened cultural centers in Ljubljana and Skopje are important new facilities. We expect to open a center in Sarajevo in the coming year. Our cultural centers in the Yugoslav Republican capitals have added audiences for our exhibits, libraries, film, and other media programs.

In addition, we are planning to expand our activities in Poland and Czechoslovakia with the assignment of a press and cultural of-

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ficer to our consulates in Krakow and Bratislava when they are opened in fiscal year 1975.

AUDIENCES' VIEW OF U.S. AFFAIRS, POLICIES

In the U.S.S.R. and Eastern Europe, we speak to audiences whose views of U. S. affairs and U. S. Government policies have been shaped in large measure by the systematic criticisms and distortions of their state-controlled media. Although the hostile media treatment has been somewhat moderated during the last 2 years, fundamental differences continue to distinguish our governmental systems, our attitudes concerning individual freedoms, and our economic policies and institutions. The increased opportunities I mentioned earlier in no way imply that a substantial lessening of these differences is present or in sight.

DESIRABILITY OF INCREASED CONTACTS, EXPANDED COMMUNICATIONS

What is new is that while no concessions are being made in the area of basic beliefs, there is general acceptance by all of the governments of the area, albeit in varying degrees, of the desirability for increased contacts and expanded communications between our governments and our peoples. Our own open society traditionally has been receptive to ideas from other countries. This receptivity, of course, has not been duplicated for our own ideas in Eastern Europe and the Soviet Union, and it would be unrealistic to expect dramatic changes at the present time. With all its limitations, however, the new environment is favorable to us, since these countries now are more receptive to outside influences than at any time since World War II.

VITAL COMMON INTERESTS EMPHASIZED

Accordingly, in our programs in the Soviet Union and Eastern Europe, although we do not neglect the matters about which we continue to differ, we are emphasizing issues which call attention to our vital common interests. Perhaps the most striking examples are afforded by our plans for exhibits on ecology and agriculture during fiscal year 1975; but in all our media output we are drawing attention to common interests which require for their fulfillment a reduction of tensions and a greater degree of mutual contact. We are trying to persuade these governments and peoples of our mutual stake in co-operation--whatever our differences in values, traditions, policies, or ideologies may be.

INCREASING U. S. TRADE

In this connection, I should point out that increasing U. S. Trade with the area has added a substantial new dimension to our programming. Our posts are distributing materials about the technique of doing business with U.S. firms, arranging press conferences for visiting American commercial delegations, and contributing to the publication of commercial news letters which promote American exports.

Active support of the U.S. Trade Development and Technical Information Office by our post in Warsaw is a notable example of our

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efforts to assist in promoting exports of American goods. Similarly, our post in Moscow is providing a monthly exhibit on commercial subjects to the newly opened U.S. Trade Information Center. Audio-visual and exhibit support of U.S. export promotion have, in fact, become important program elements in much of the area, along with slide shows, films, and videotape screenings of both Agency-prepared and individual U.S. company productions.

EXPECTATIONS

We are moving into a period in which Agency media productions will take on increasing importance. Thus we expect:

- larger audiences for VOA, particularly in the U.S.S.R.;
- strong continuing popular interest in our special international exhibitions buttressed by greater official recognition and thus heavier coverage by the media in countries where the exhibits are shown;
- increased attendance at our libraries and cultural centers;
- wider audiences for our wireless file bulletins, magazines such as "America Illustrated," and films and videotape recordings.

NUMBERS OF PERSONNEL

In Eastern Europe and the Soviet Union we have 17 facilities staffed by 60 American officers and clerical personnel and 174 national employees. These posts are supported by the Regional Program Office in Vienna with five American officers and 40 national employees. The area office in Washington is staffed by 15 officers and clerical personnel.

BUDGET REQUEST

The resources requested for the Soviet Union and East Europe Area for fiscal year 1975 total \$7,546,000, including \$376,000 in foreign currency. Of this amount, \$4,378,000 is budgeted for direct operating costs in the area, and \$3,168,000 is budgeted by other elements in support of these direct area activity costs.

I shall conclude by saying that the possibilities for explaining our points of view in the U.S.S.R. and Eastern Europe seem now to be more favorable than at any time since 1945.

QUESTION OF AREA MEDIA COOPERATION

Mr. Chairman, we have also submitted to the Committee an annex to this statement which addresses itself to the question of area-media cooperation and I believe there are a few typographical errors and those are being corrected now. (See p. 203.)

I should be pleased to attempt to answer any questions you may have.

Senator SPARKMAN. Thank you very much, Mr. Shirley.

BASIS FOR PREDICTING INCREASED IMPORTANCE OF MEDIA PRODUCTIONS

You state that, "We are moving into a period in which the Agency media productions will take on increasing importance," and then you

speak of larger audiences for the Voice of America, strong continuing popular interest in international exhibits, increased attendance at the library and wider audiences. I am just a little curious, upon what do you predicate that prediction?

Mr. SHIRLEY. Largely on the experience of the past 2 years, Mr. Chairman.

Senator SPARKMAN. In other words, it is a growing activity, is that right?

Mr. SHIRLEY. Yes, sir, that is correct. Traditionally our programs in Eastern Europe have been quite modest, and we have been restricted by local governments from using many of the program tools that we have been able to use in other parts of the world.

As these restrictions decrease so our opportunities for using these program tools grow.

Senator SPARKMAN. What about the reading rooms? Are you able to utilize those generally?

Mr. SHIRLEY. Yes, sir, it varies sharply from country to country but again the trend is generally upward. In some countries, Romania and Poland for instance, access to our reading rooms is completely unrestricted. In Yugoslavia access to these reading rooms has been unrestricted for a long time.

ACTIVITY IN ALBANIA

Senator SPARKMAN. Do you have any activity in Albania?

Mr. SHIRLEY. No, sir. Only the Voice of America broadcasts to Albania but we have no activity there and, of course, no diplomatic representation.

Senator SPARKMAN. Actually, I didn't think you did but I was wondering particularly about the broadcasting. It does go into Albania.

Mr. SHIRLEY. Yes, sir, it does.

Senator SPARKMAN. And into all of the other countries in Europe?

Mr. SHIRLEY. Yes, sir, 15 languages altogether, 8 of those languages to the Soviet Union and 7 to the countries of Eastern Europe.

VISITS TO FIELD OF OPERATIONS

Senator SPARKMAN. Now, you are stationed here in Washington, aren't you?

Mr. SHIRLEY. Yes, sir, that is correct.

Senator SPARKMAN. How often do you visit the field?

Mr. SHIRLEY. About three times a year, Mr. Chairman.

Senator SPARKMAN. And do you make a pretty general survey?

Mr. SHIRLEY. Yes, sir, try to.

Senator SPARKMAN. What about your team members, they are stationed here, too, aren't they?

Mr. SHIRLEY. That is correct, Mr. Chairman.

Senator SPARKMAN. Do they make periodic visits to their field of operations?

Mr. SHIRLEY. Not all of them, sir, I believe that my deputy, the Deputy Area Director has been to the area once since he came on board, which is about 3 months ago.

I beg your pardon, are you referring to my media director colleagues?

Senator SPARKMAN. Yes.

Mr. SHIRLEY. I am sorry, I misunderstood your question, Mr. Chairman.

Senator SPARKMAN. I refer to yourself as a team.

Mr. SHIRLEY. I see, this time. I am sorry, I was thinking of my office.

Mr. Schneidman and Copmann have both been to my area in the last year, Mr. Scott hasn't had the opportunity to go yet, and Mr. Giddens has also been, so three out of four have during the past year.

Senator SPARKMAN. Three out of four.

Mr. SHIRLEY. Yes, sir, Mr. Chairman.

Senator SPARKMAN. Who is the one who did not go?

Mr. SCOTT. I have not gone.

Senator SPARKMAN. You did not go. Are you going or planning to go?

Mr. SCOTT. I am planning a trip this year. I have been asked by the Area Director to go and I am very interested.

Senator SPARKMAN. Senator Aiken?

U.S. EXPORT-IMPORT BANK ACTION

Senator AIKEN. When did you prepare your statement you have just read to us?

Mr. SHIRLEY. When did I prepare it, sir?

Senator AIKEN. Yes.

Mr. SHIRLEY. About a week ago, Senator Aiken.

Senator AIKEN. You had not seen this morning's news or heard it on radio, had you—

Mr. SHIRLEY. No, sir, I had not.

Senator AIKEN. Let me read just a little of it:

In a move that could affect dozens of American manufacturers, U.S. Export-Import Bank yesterday halted processing of all new loans, credit guarantees to the Soviet Union and three other Communist nations, Poland, Rumania and Yugoslavia, and so on.

I won't read any further. But I know in your concluding remarks you say "The possibilities for explaining our points of view in the U.S.S.R. and Eastern Europe seem now to be more favorable than at any time since 1945."

How does that fit in with the news this morning that the Export-Import Bank is stopping all credit to these countries?

Mr. SHIRLEY. Well, I can't address myself to that specific question, sir. I am simply not familiar with the story from which you are reading. But, as a general proposition, we have found in the Soviet Union and perhaps more strongly in some of the countries of Eastern Europe that there is, in fact, greater receptivity both on the official and on the popular level for what we do.

Senator AIKEN. Have you given this action by the U.S. Export-Import Bank coverage by USIA?

Mr. SHIRLEY. Yes, sir, the Voice of America in Washington will cover that.

Senator AIKEN. I just wondered how stopping credit to these four countries was going to make the situation more favorable.

Senator SPARKMAN. Senator Aiken, I have not read the article but I knew something about it. I believe that it is not a voluntary action on the part of the Export-Import Bank that stopped it. I think the General Accounting Office held that their activities were illegal under an act of Congress and I believe I heard somewhere that some court sustained that view.

Do you know offhand what the situation is?

Mr. SHURLEY. No, sir, I do not, Mr. Chairman.

Senator AIKEN. That move would have some support here in the United States to discontinue all business relationships. I had a letter only yesterday from certain businesses asking us to cut off all relations with Russia.

Senator SPARKMAN. I would think, however, that the country as a whole would support our continuing relations with these different nations.

Senator AIKEN. Time will tell.

Senator SPARKMAN. And it seems to me that this particular happening is rather unfortunate at this time. I do not know just what the situation is but I did understand that the Export-Import Bank was going to have to discontinue because, first of all, the General Accounting Office and then, second, I believe, I am not sure of this, but I believe I saw that there was a court decision on it.

HEARING PROCEDURE

By the way, Senator Pell, before you start questioning, I wonder if you will continue the hearings. I need to go to another appointment.

Senator PELL. I would be delighted.

Senator SPARKMAN. I am working two committees these days and it keeps me a little busy.

Senator AIKEN. Mr. Chairman, I have also the Joint Committee on Atomic Energy which is sitting now and I think maybe I had better go.

Senator SPARKMAN. Well, Senator Pell is completely capable of keeping it going.

Senator AIKEN. I know he is, that is why I am glad he showed.

Senator SPARKMAN. I am sorry I will have to leave before I hear some testimony from my long-time friend and fellow Alabaman over there, Kenneth Giddens, who runs the Voice of America. I may say, though, I have talked with him on different occasions and I know he has been quite active out in the field as well as here at home, and I am confident he is doing an excellent job. If you will take over, Senator Pell.

Senator PELL. Thank you.

Senator AIKEN. I will take the testimony of the witnesses back to the office and review it there. The action reported in the news this morning is, I think, most unfortunate.

RELATIONSHIP BETWEEN VOA AND RFE, RL

Senator PELL. One question that has concerned me very much is whether we are correct in conducting two entirely separate radio operations at this time. Really your budget is handling, as I understand it,

both VOA [Voice of America] and RFE [Radio Free Europe] and RL [Radio Liberty], which are different in philosophy.

How do you explain that?

Mr. SHIRLEY. I am sorry, sir—

Senator PELL. Do you see a dichotomy in the fact that you have to handle two very different radio programs, VOA, on the one hand, and Radio Liberty and Radio Free Europe, on the other.

Mr. SHIRLEY. Senator, USIA has no responsibilities for either Radio Liberty or Radio Free Europe. We are responsible only for the Voice of America.

Senator PELL. But it comes through your budget, does it not?

Mr. SHIRLEY. No, sir. Those are a separate set of hearings and a separate budget.

Senator PELL. I realize that, but they are both under the American umbrella.

Mr. SHIRLEY. Yes, sir.

Senator PELL. And so there must be a relationship between the two. You see no conflict here between the straight news of VOA and the more domestic news of the Radio Free Europe?

Mr. SHIRLEY. No, sir, I don't, because the Voice of America is the official voice of the U.S. Government and speaks for the United States.

Radio Liberty is not. It is a radio station staffed by former citizens of the countries to which they broadcast and, in effect, plays the role of a free press as it broadcasts to those countries.

EFFECT OF CONTINUING RFE, RL

Senator PELL. Do you feel that the continuation of Radio Free Europe and Radio Liberty runs in any way counter to our efforts toward détente?

Mr. SHIRLEY. No, sir, I do not. I think that the President expressed this some weeks before he went to the Soviet Union when he said that he felt that the function that these radio stations carry out do not in any way impinge upon the broader objectives of American foreign policy, but that an informed public opinion in the U.S.S.R. and in the countries of Eastern Europe in the long run served the interests of our objectives in that part of the world.

PUBLICIZING EXHIBITIONS IN U.S.S.R., IRON CURTAIN COUNTRIES

Senator PELL. On another subject, in connection with exhibitions in the Soviet Union and Iron Curtain countries, where I think you do an excellent job, how do you go about publicizing these within the domestic country? Who attends and how do you measure attendance?

Mr. SHIRLEY. Well, we publicize them in the first instance over the broadcasts of the Voice of America. While these exhibitions are going on hardly a day passes that the Voice does not devote an item, very often a lengthy broadcast, to the exhibit. That is one way we do it. We do it through the newspapers in those countries, and in some we get a good deal of coverage and in others much less. Until this year in the Soviet Union we received virtually no publicity at all. Usually a one-line mention that the exhibit was being opened. This year the change was quite dramatic and we received extensive coverage in the Soviet press. So that is another way.

A third way is through posters. We usually distribute several thousand posters in the city where the exhibit is to be shown to try to bring it to the notice of the public.

Very often; and now this is increasingly true in the U.S.S.R., too; our guides and exhibit director will be interviewed either on a Soviet radio station or television station. That is another way we have of publicizing it.

SOLZHENITSYN EXILE

Senator PELL. In connection with the handling of the Solzhenitsyn exile, was USIA involved in any way in the transmission of these documents or in the use of the manuscripts?

Mr. SHIRLEY. No, sir, it was not.

Senator PELL. Completely outside.

EXPANDED CULTURAL EXCHANGE WITH SOVIET UNION, EAST EUROPE

One of the problems that I noticed over the years is that the Soviet Union does not like too much flow of tourists and too much flow of people. At the same time, we believe that the more people flow back and forth between countries, the more our system will rub off on them rather than vice versa.

Do you see any possibility of an expanded cultural exchange in your part of the world, with our part of the world?

Mr. SHIRLEY. With respect to tourism, yes, definitely, Senator. Again it varies from country to country. I believe that about 80,000 Americans visited the Soviet Union last year, and only a fraction of that figure, you know, of Russians came to this country. Tourism between Poland and the United States is at a quite high level; also between Yugoslavia and the United States. So whatever we can do to encourage this trend, we certainly would do.

With respect to increasing exchanges, the possibilities are virtually unlimited or limited only by the availability of funds. In all of the countries of the area with some possible exceptions, there has been an increase in the number of academic exchanges. The trend is a very encouraging one. The number of institutional exchanges have increased where an American university will establish a relationship with, say, a Polish university, with the Governments acting as pump-primers or catalysts and the universities themselves identify what they have in common; then they begin to build a relationship which exists in isolation from the Government.

USIA OPERATIONS IN EASTERN EUROPE

Senator PELL. Outside the capital cities, do you have any USIA operations going on in your part of Eastern Europe?

Mr. SHIRLEY. Yes, sir, we do, Mr. Chairman. We have now a press and cultural officer in the consulate general in Leningrad which was opened last year. We have an operation in Poznan in western Poland. The consulate which is about to open in Krakow will have a very strong cultural informational presence. We look forward, Mr. Chairman, to reopening the consulate in Bratislava, probably late this calendar year, and we will have a cultural presence there, too.

In Yugoslavia, we have a number of operations outside of Belgrade. We have a center in Zagreb, one in Ljubljana, one in Skopje, and we are about to open one in Sarajevo. We also have a small operation in Novi Sad.

Senator PELL. What do you mean by a presence?

Does that mean a library?

Mr. SHIRLEY. There is a library, sir, but there is no American officer there. It basically is just a reading room manned by a national employee in Novi Sad.

Senator PELL. In Bratislava, will you have an American officer?

Mr. SHIRLEY. We will have an American officer there and probably three or four national employees and library, exhibit windows, and the possibility for showing films and other programming outside of the consulate.

Senator PELL. Will that library be in the same building as the consulate?

Mr. SHIRLEY. Yes, sir. It will be on the ground floor of the consulate.

Senator PELL. I can recall when that was first opened that the most popular publication in it was the Sears, Roebuck catalog which we had to tie a piece of string around and nail down.

Mr. SHIRLEY. Very little has changed, Mr. Chairman.

Senator PELL. In those days, I remember having subscribed to magazines myself to put into the room before USIA sent its people there.

Mr. SHIRLEY. Thank you very much, indeed, Mr. Chairman.

SEQUENCE OF WITNESSES

Senator PELL. Next we have an assistant director representing the Near East, North Africa, and South Asia.

Mr. KEOGH. Mr. Chairman, do you want to change the sequence? Our intention was to have Dr. Dillon, the Assistant Director for Latin America, testify second.

Senator PELL. Fine, fine.

Mr. KEOGH. We will change it if you wish to.

Senator PELL. No, no, it is fine.

Mr. KEOGH. Thank you very much.

[Annex to Mr. Shirley's statement follows:]

ANNEX TO STATEMENT OF JOHN W. SHIRLEY

MEDIA COORDINATION

The basic tools for our programs in Eastern Europe and the Soviet Union traditionally have been VOA broadcasts, Special International Exhibits, the wireless file, films, and magazines. The improving climate for our cultural and information programs now is providing opportunities for greater use of these basic tools at the same time that additional media products, such as microfiche documentation, videotape recordings, and *Economic Impact*, are coming into use.

USIA activities are increasingly becoming an important part of the broadening pattern of U.S. relations with the countries of Eastern Europe and the Soviet Union. Expanding communication between peoples and governments are playing a significant role in mitigating the competition that so long characterized the cold war.

The limitations of detente are well known. They are implicit in the President's statement, "We are ideological adversaries and will remain so" and in the reciprocal Soviet assertion that "peaceful coexistence does not extend to ide-

ology." USIA does not soft pedal the U.S. distaste for the internal politics of closed societies, nor do information and cultural activities in Eastern Europe and the Soviet Union imply approval of the Soviet domestic system.

The essential question for USIA now as before, relates to the relevance of its activities to American foreign policy objectives. Although there is no typical program in the Eastern Europe and Soviet area, a brief examination of some selected activities during the past year should convey an accurate impression of the way USIA media activities contribute to programs which are closely geared to those objectives.

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(Bio) Dean Burch Named Counsellor to President 160.
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PORTRAIT OF A DAY'S PROGRAMMING--RUSSIAN SERVICE, USSR DIVISION.
FEBRUARY 15, 1974

Friday, February 15, 1974: Times given are DST. Moscow time is 7 hours later, the Caucasus 8, the Urals 9, Western Siberia and Central Asia 10, Central Siberia 11 and 12. Areas reached by our Far Eastern repeat are DST+12, 13, 14.

THE EARLY SHOW, FIRST HOUR (8:00-9:00 AM DST)

Following the newscast was the political package, composed of highlights from the political show of the day before, occasionally updated by new material written for the Breakfast Show. The selection for Friday, February 15, 1974, was largely devoted to Solzhenitsyn's expulsion from the Soviet Union--press reaction in the East and West, and a report from European Bureau correspondent Gene Kern reporting on the circumstances of the writer's departure from his homeland. The package also covers the conclusion of the Summit meeting of four Arab countries in Algeria and the Thai government's continued policy of welcoming a U.S. military presence in that country.

The next item is a regular feature called *Coins*. Soviets are inveterate collectors of things, and this package exploits that trait. The material is largely devoted to

¹ Number of words in item.

American issues and incidentally discusses inklings of American history, persons, places, etc.

Next comes *Sports Digest*. It is composed of material on international as well as U.S. sports competitions and events. The show is a major drawing card for our broadcasts. This Friday there was heavy coverage of track and field events, followed by a report on Olympic skiing results at St. Moritz and brought, to a conclusion by a rundown on other sports events in brief.

Books and People this week, apropos of Solzhenitsyn's expulsion from the Soviet Union, had a special report from our Swedish correspondent on reaction in that country. In addition, a short biography of the man who greeted Solzhenitsyn on his arrival to the West, Heinrich Boell, was included. We also broadcast Solzhenitsyn's voice, recorded by our correspondent who was present when he talked to the press outside Boell's house. *Books and People* is intended as a discussion of writers and their works and is often a forum for ideas which are foreign to Soviet listeners.

THE SECOND HOUR OF THE EARLY SHOW (9:00 AM—10:00 AM) is basically a repeat of the first, with an updated newscast.

THE THIRD HOUR OF THE EARLY SHOW (11:00 AM—12:00 NOON) began, after the newscast, with a repeat of the first hour political package.

The Women's Package which followed started with a long article on Alice Roosevelt Longworth on the occasion of her 90th birthday, and ended with a status report on the Equal Rights Amendment. The Soviet woman has been given a narrow and quite distorted view of how American women live and what their position is in American society. This program is aimed at filling in the gaps.

The Economics Package this week dealt with the essentials to the buying of a private home in America: land acquisition, development construction, the rising value of homes. This script, tailored to Soviet questions about housing in the U.S., was closely related to persistent concerns of Soviet citizens. This package generally hits on topics related to the American standard of living.

The Science Package had a mixed bag of articles—one on discovering new (and sometimes old) energy sources, and another on a recycling plant in the state of Maryland. The last article is on the development of a device which should aid the blind to see through light sensitivity. *The Science Package* is generally aimed at attracting technicians and engineers who want to know what the U.S. is doing on environment, energy problems, development of new technology.

The First Hour (12:00 PM—1:00 PM) of our six hour block began, after the newscast with the *TV & Radio Package*. This week the program dealt with serious drama produced in the U.S. for American television—mentioned were Maxim Gorky's play *Enemies*, Tennessee William's *The Migrants*, and a new drama about a former slave—Autobiography of Miss Jane Pittman. The TV special "In Search of Ancient Mysteries" was also drawn upon as a topic for the program. *TV & Radio* stresses the medium as the message and aims at exposing the Soviet listener to the variety of entertainments and information available on radio and television to an American. It also seeks to point up the basic objectivity of the media by offering divergent points of view.

Music for Recording drew upon a new Warner Brothers record album "Superstars of the 70's." We played songs performed by "Black Sabbath," "Yes," "Deep Purple," "The Kinks," "Jimi Hendrix". . . Soviet youth constantly express the desire to be kept "au courant" with the Western rock scene, and the program catered to that interest. The following program, *Magazine Review*, was devoted entirely to an article on the Communist Party, USA in the magazine *Saturday Review*—about its influence, its membership, history, publications, financing, legal status, current policy, divisions and rivalries. Soviets often ask questions about the CP in the U.S. and *Magazine Review* this week was quite to the point. The program is often used to cover such subjects, and at other times rehashes events and opinions significant to the Soviet listener.

The Second Hour (1:00 PM—2:00 PM) set for prime time in Moscow (8:00 PM) is called *Panorama*—it is the first show of the day with all political materials. It encompasses articles on current events, commentaries, analyses—A large section at the beginning of this particular hour dealt with Solzhenitsyn—a report on Solzhenitsyn in Zurich, a survey of U.S. editorial opinion on the deportation of the writer, and a report on an editorial in the *Los Angeles Times* on the same subject from our West Coast correspondent. The next section dealt with the Watergate proceedings—this topic is largely covered in an expository fashion which maximizes the impact of what is meant by an "Open Society" to our Soviet

listener. To this was added Vice President Gerald Ford's Chicago press conference in which he touched upon Watergate, energy problems, and the expulsion of Alexander Solzhenitsyn. The program then dealt with the calling of elections in Britain: U.S. Opinion on the conference of the oil importing countries and the effects of the oil shortage on a small country such as Hungary. The aim of this segment was to raise questions about Soviet propaganda on the Washington conference of oil importers and to show that the energy shortage has universal effect. Next came a series of reports on space exploration: first a Skylab report on the very real danger the astronauts faced, as it was disclosed later, on their reentry; then a report on the upcoming launch of the Italian research satellite San Marco IV by NASA. Soviets have expressed tremendous interest in the U.S. space program. It is one of those things that adds so much to our prestige in their country, therefore we make the effort to report on it fully. As a bonus, the program carried one of a series of reports on California supermarkets in which a grocery clerk is interviewed on working conditions, the four day work week, salary, union benefits, etc. Such material is aimed at explaining things about the labor movement in the U.S. Finally, on a personalized basis a report on the Wounded Knee Trial was offered as a counter to the Soviet stance on the story as just-another-example-of-how-badly-minority-groups-are-dealt-with-in-the-U.S.

The Third Hour (2:00 PM—3:00 PM) (Newscast).

Art in U.S.A.: *Art in USA* is a program of approximately 30 minutes in length, which deals with American art and artists, art exhibits displayed in U.S. museums and galleries, including material from private, national, foreign and international collections. The topics dealt with involve art from every sphere and diverse classification, spanning the field to include works and artists of world distinction to art of private citizens in local galleries. Additionally, significant news events from the art world are frequently given note on the *Art USA* show.

"Museum Publications of America"

This lengthy, informative report, based on an interesting brochure distributed by the organization of the same name (i.e. Museum Publications of America), described this unique institution which provides a listing in book form of all art books available in the United States. Everything available in the way of art literature is listed, priced, and given a concise description. The text of the script, "Museum Publications of America," contains excerpts from the book, actually a catalog in illustrated format, to clearly explain what is available to the public through this new, never-before published collection of art publications, undoubtedly an item of priceless value to any art enthusiast.

"Romans B'neath 'Princess'"

News of the discovery of buried tombs of royalty during current excavations in Rome, Italy, is announced in this short piece. News of the discovery itself is of enough significance to devotees of art as well as to the general public to be carried on the Art Show.

"American Self-Portraits Exhibit"

A review of an exhibit in the National Portrait Gallery, displaying 110 self-portraits of American artists is herein presented by the writer, who had recently attended the exhibit. Her impressions of this exhibit, including artists of fame to those unknown or forgotten, such as Jos. Stella, J. C. Copley, Wm. M. Chase, G. Stewart, N. C. Wyeth, J. Pollock and Grandma Moses, make up the content of the script, an informative item of interest, keeping up with the news of what is being shown in U. S. Galleries.

Variety II

Variety II is a show of approximately 15 minutes in length, which deals with the world of entertainment, including music, theatre, stage, and screen.

"The Swinging 30's"

The tempo of the times in the "Swinging 30's" in the U.S. is well illustrated here in a light piece which provides insight into how things were way-back when . . . and how those times have affected today's way of life in the U.S., a time of nostalgia in public entertainment and in fashionable society's taste. "Variety II" provides our listeners with easy-listening broadcasts, as well as latest "scoops" on what the American public is being provided in the way of light entertainment.

Fourth Hour (3:00 PM—4:00 PM) (Newscast).

Events and Opinions: Events and Opinions is a program of approximately 45 minutes in length which provides our listeners with a thorough view of major world news events in an extended form, through the use of correspondents' re-

ports from the U.S. and abroad, news and economic analyses, commentaries and adapted reports based on U.S. press coverage.

"Solzhenitsyn and Zurich #1," "Latin American Reaction—Solzhenitsyn," "Swedish Reaction to Solzhenitsyn"

The first three scripts of the 2/15 "Events and Opinions" show dealt with the expulsion of Russian author Aleksandr Solzhenitsyn from the USSR. His presence in Zurich is observed by our European correspondent, and reactions to his expulsion in both Latin America and Sweden are given broad coverage by our respective correspondents abroad.

"Arab Envoys to Washington"

The news of the progress on the Arab Summit meeting of the week is given here, by the Department of State correspondent. This piece provides the listener with the latest developments and the official (State Department) report of the next step in negotiations . . . in short, that arrival of the Arab leaders is set and speculation is being made on what the contents of the discussion will be; all information based on previous statements by Arab heads of state.

"Jobert on Washington Parley," "France, its Common Market Partners and the Atlantic Alliance," "Hungary Oil"

These three pieces deal with the energy situation in general, three aspects of the crisis in particular. "Jobert on Washington Parley" gives a run-down of how the French Foreign Minister views the potential effect and consequences of the Washington Energy Conference on the future of the European community. This report is followed by "France, its Common Market Partners and the Atlantic Alliance," a news analysis which presents the other nations' reactions to the French reaction to the Washington Energy Conference. Specific attention is given to Secretary of State Kissinger's statements defending the U.S. position, and comments from Moscow and general impressions of the remaining European community members are presented. Coverage of energy demands throughout the world is continued through a report from Budapest, "Hungary and Oil," a correspondent's report which deals with the subject of what the East European countries are doing to contend with the energy crisis. Hungary is taken here as an example of how a small country will handle the situation . . . in this case, by domestic production and major import from the USSR and less from Arab countries.

"Ceausescu and the Guerrillas," "Hungary—East/West Relations."

These two items deal with international relations per se; the first "Ceausescu and the Guerrillas," a correspondent's report from Beirut, gives mention of President Ceausescu's visit to Lebanon, and describes the content of his talks with President Franjeh and Palestinian Guerrilla Leader Arafat and other guerrilla leaders. Further attention is given to East/West negotiations in a political feature from Budapest, "Hungary—East/West Relations." Here, Hungary's response to the major East-West negotiations now taking place is presented, potential consequential changes in Hungary's policy (none), and any major effects the talks may have on Hungary are discussed.

"Volunteer Army," "OECD on Balance of Payment," "U.S. Balance of Payment Improved"

Events and Opinions is concluded by a report on the recent request of top U.S. Army officials to the House Armed Services Committee for an increase in funds for the support of military forces in the world, necessary in their words, to maintain the strength that made detente possible. This report is followed by an economic report from Paris, "OECD on Balance of Payment," the content of which is observance of a high-level committee of 10 nations of the OECD deficit and its relation to the oil price increases. A final report, "U.S. Balance of Payment Improved," explains that the position of the U.S. in the world economy has seen a definite improvement as far as its (U.S.) payments are concerned over the period of the past year. The major contributing factors, among which trade outside the U.S., are discussed.

The program *Events and Opinions* serves as one of the few major sources available to VOA's Soviet listeners of updated information on current world events of newsworthy interest. By maintaining its present format of continuous and only briefly interrupted coverage of major news stories and by providing the latest stories on significant developments in world events, the *Events and Opinions* show maintains its reputation of being a reliable source of information of international news. Credibility is enhanced by presentation of all aspects,

negative and positive alike, of world happenings, with neither concentration nor avoidance of the U.S. role in these events and their consequences.

Fifth Hour (4:00 P.M.—5:00 P.M.) (Newscast).

Medipack, Montage-31, Education

The fifth hour of broadcast involved three complete program subject areas. *Medipack*, the opener for the hour (following the newscast), is concerned with medicine, developments in medicine through science, and provisions for medical care in the U.S. Second of the three "package" programs is *Montage-31*. So named for its content and length, *Montage-31* is a program of diversity. The general category under which the content of *Montage-31* may fall might be "miscellany." Subjects of interest which do not fall under the category of other topical programs are entered into the potpourri of *Montage*. Local, national and international events are all potential sources of material for *Montage-31*. Education is another package program, composed of one to several items which can be categorized under the general classification of education, in the U.S. especially, but also external if of significant contribution to the field of education in general.

Medipack

Medipack of this particular date was in the form of a round-table discussion on the medical system in the U.S. and on recently proposed legislation brought forth by Senators Kennedy and Ribicoff and by President Nixon. The package is begun with a very simple description of the system of insurance and the concept of private doctor and private medical care by a physician of one's own choice . . . a concept not familiar to most of our listening audience. As contrasted to socialized medicine, the idea of private medical care and the consequential necessity to pay for this care is given through attention in this round-table discussion. Exceptions to this procedure, as medicaid and medicare, are briefly discussed. A thorough examination is given to the subject of insurance, of low-income versus middle and high-income persons and their means of handling medical care. The legislation proposed by President Nixon and Senators Kennedy and Ribicoff is explained and contrasted; how these ideas might improve the medical care system in the United States are considered. Throughout, the round-table discussion effectively informs and analyzes, as well as maintains interest by its format . . . three voices, together providing a conversational atmosphere. The combination of informative material and innovative form holds the listeners' attention, thereby effectively making them aware of the U.S. system of medical care, how it operates and the potential changes proposed to improve it.

Montage-31

"Solzhenitsyn's Books in the United States"

This short report gives an enumeration of the total publications of Aleksandr Solzhenitsyn's works in the U.S. and the publishing houses which carried these works. In addition to being of timely interest, this reportage serves also to illustrate private interest in the works and the possibility for varied interpretation due to such a diversity of publication/translation. This wide extent of approved publication serves as a contrast to the sole Soviet State Publishing Houses, available to our listeners in the USSR.

"War and Peace"

This correspondent's report from London reviews the Prokofiev Opera, "War and Peace." The review, based on opinions of several British critics, provides our listeners with an American's description of British reviews of a Russian Opera based on a Russian work. The material has obvious indications of national interest.

"Solar and Other Energy"

For those who refuse to deal with the negative aspects of the gasoline and oil shortages and price increases, there are many "ways out." These alternatives to acceptance are presented to our listeners with this report on solar and other energy sources. The mere fact that such means are available to any private citizen with the innovative ability as well as (or) the cash and the means is sufficient reason to assume that this subject will find interest among a wide spectrum of our listenership.

"Oil and Water"

Continuing on the topic of energy, conservation and alternatives to what the energy crisis now presents the world, this script informs the listeners of another experiment which has been proven effective, blending oil and water for the

purpose of further spreading oil distribution. The process is described and its ramifications are discussed in this item certain to be of interest to all listeners concerned with science and to those not in the science field who might find it helpful to conserve natural resources and to save themselves a few drops of precious oil. That listenership should include everyone.

"Petroleum from Trees"

Another alternative method of petroleum production through an experimental process of extraction from trees is discussed in "Petroleum from Trees." This method has been given careful and serious consideration as a less costly and potentially competitive oil-producing method, especially useful for developing nations. The processes involved in extracting oil from trees is discussed, the advantages are suggested; presenting the listeners with additional interesting, informative material and giving them insight into what may very well become one of the major future alternatives to depleting the natural petroleum supply.

"EPA to Test a Gasoline-Electric Car"

An experimental method toward gasoline conservation is discussed in this item. Development of an automobile, which will run on a combination of electricity and gasoline, is the topic of this piece. Not only will this method of transportation conceivably cut the volume of gasoline consumption, but it will also provide an automobile of lower exhaust emission, a valued contribution toward avoidance of environmental pollution. The project itself (of experimentation and development), supported by the EPA, encourages independent initiative. The ultimate purpose is to provide a more effective machine, not to present the auto industry with an opportunity for capital gain, a likely consequence if this were an undertaking of auto manufacturers. Our Soviet listeners are hereby informed of the opportunities provided to the individual for the end purpose of benefiting the general population, not the auto industry.

"Toronto Builds Soaring Tower"

The news that Toronto will soon possess the world's tallest self-supporting tower is expanded upon in this item. The piece has its greatest value in its interesting informative nature, always a necessary element for holding listener's attention.

"Mona Lisa"

This reportage presents revealing information on the thus-far unknown value of the Mona Lisa. This is determined by the insurance coverage placed on the famous work in preparation for its travel to Tokyo and its return to Paris.

Education

"Interview with M. Matlina"

This interview involves a high school student who has spent the major part of her years in the Soviet education system, and the last six months in the United States. The interview centers on comparison of the secondary school systems in the U.S. and USSR. The interest to our listening audience is obvious . . . and the credibility enhanced by the young student's ability to clearly express, with knowledge from experience, how the two systems operate. The facts provided are of never-ending curiosity to the Soviet listening audience. This student, having lived in the U.S.S.R. most of her life, has a clear understanding of what exactly the young Soviet listeners are most interested in knowing. Therefore, she provides information which will appeal most to our listeners, and does not waste words on facts of marginal interest.

"Stanford University Popular Majors," "High School Courses"

What the majority of Stanford University and High School students study and choose as their major subjects are the central topics of these reports. Beyond provision of the facts of what young American students are interested in and occupied with, insight is provided further into American society . . . that the subject matter is relevant to the way we live, that the natural sciences and the social sciences equally prevail in university studies, suggests that these concerns play a major role in our everyday lives.

Sixth Hour (5:00 PM-6:00 PM) (Newscast).

Night Owl: The *Night Owl* show is a day-ender of varied content. A combination of reports covering the major news events of the day in updated form, and items of cultural or general interest classification enter into the *Night Owl* slot.

"Swedish Reaction to Solzhenitsyn"

This story is a repeat of the same title from *Events and Opinions*. Its newsworthy interest warrants that it be repeated on the *Night Owl* show.

"Solzhenitsyn in Zurich"

This story is a late arrival, an up-to-the-minute correspondent's report from our European correspondent. It presents the latest information on Aleksandr Solzhenitsyn's presence in Zurich.

"Exhibit on Camping"

This piece is based on the "Recreational Vehicle" show at the National Guard Armory in Washington, D.C. (current at time of broadcast). The topic is of timely interest for our listeners, since the "Outdoor Recreation, USA" exhibit is presently touring the USSR, and many of our listeners have already taken an interest in the subject through their observations at the exhibit. In addition, insight into how many average Americans spend their leisure time and how they travel independently, residing in privately-owned recreational vehicles, is provided. Included in this story, a combined effort of two staffers who visited the show, is an interview with a deaf man whose interest in camping is not discouraged by his handicap. The mere fact that this is possible for a deaf person is astounding to the Soviet listeners, whose assumption would naturally be that such a possibility is remote . . . since the likelihood of a deaf person in the Soviet Union to consider the idea is absurd (conditioning by society). Material of this nature is of greatest value to us for its unquestionable ability to attract and maintain listenership, and of special value to our listeners, whose interest and curiosity in the varied elemental factors which make up American society never ceases.

"Exhibit Expert Interviews #4"

This interview is conducted by one of our staffers with one of several "experts" who are presently touring the USSR on the USIA "Outdoor Recreation, USA" exhibit. It serves to familiarize listeners with aspects of camping otherwise unknown to them, and to give them an opportunity to hear from one of the specialists present at the exhibit. For those listeners who have the opportunity to visit the exhibit, the interview serves also as suggestive material . . . what they can expect to learn and see. For those listeners who will not visit the exhibit, there is herein provided an opportunity to hear what they would have otherwise not have heard.

The Breakfast Show (11:00 PM-1:00 AM).

The Breakfast Show is a two hour all-news broadcast, sent between 11:00 PM and 1:00 AM Washington time. The show consists of four new newscasts and three segments, mainly of a political character. The first two portions are made up from the two political shows which precede it in the day. The pieces used were: "Swedish Reaction to Solzhenitsyn," "Jobert on Washington Parley," "Ceausesu and the Guerrilla"—in the first segment, and "Hungary—East/West Relations," "OECD on the Balance of Payments," "U.S. Balance of Payments Improved," "Report on Wounded Knee Trial," and "Report on Skylab Difficulties"—in the second segment. Normally in the third segment some new material and some from the day's show is used. On this particular day, a new script on Latin American press reaction to the Solzhenitsyn expulsion was broadcast—touching upon demonstrations in Caracas, Venezuela, various interpretations of the Soviet official mentality in this matter, and praise of Solzhenitsyn. Then, from the three o'clock political show "Arab Envoys to Washington," "France, its Common Market Partners and the Atlantic Alliance," "Hungary—East/West Relations," were played. "Report on Skylab Difficulties" is borrowed again from *Panorama*. "The Romans Unearth 'Princess'" from *Art in USA* concludes the segment.

Program to the Far East.

The Breakfast Show in its entirety is played back for our listeners in the Far East between 4:00 and 6:00 AM EDT. The second hour is repeated a second time during the third hour between 6:00 and 7:00 AM. This program reaches the Soviet Far East at 4:00-7:00 PM, 5:00-8:00 PM and 6:00-9:00 PM depending on time zones. The news and political pieces tend to get stale and when resources become available the Division hopes to introduce live programming for the Far East.

GERSHWIN IN THE USSR

The Embassy Moscow Gershwin festival at the end of the year provides a good example of how USIA media worked together to develop a coordinated program at very short notice. Late in November the post suggested a Gershwin "Festival" to take place during the following two months. The Area office, in cooperation with Information Centers (ICS) and Motion Pictures and Television (IMV),

prepared a festival built around two American pianists, one of them Edward Mattos, an Agency officer presently assigned to ICS; the other, Gershwin specialist Alan Mandel.

In Moscow and Leningrad, the pianists performed at the Ambassador's and Consul General's residences, the USSR Union of Composers, and the Moscow Conservatory. Their performances were supported by showings of several Gershwin feature films to invited audiences in both Leningrad and Moscow. The final film showing, "American in Paris" was presented at the Ambassador's residence to an audience of 200, including officials from several ministries, journalists, and artistic and administrative figures from the film world. A television special on the life of Gershwin "S'wonderful" was twice presented to invited audiences in Leningrad. The American Consulate General there presented "S'wonderful" and *Porgy and Bess* at two film evenings in the Consulate's 70-seat theater. The performance was attended by representatives of the press, the city cultural office, a number of leading ballet dancers of the *Malyi Theater*, (where *Porgy and Bess* was then being performed) and the directors and representatives of other Leningrad theaters.

The program in the USSR was supported by the Russian Service of VOA which programmed a ten-day series of stories and musical shows dedicated to the composer. A book packet of four titles on Gershwin, a Gershwin songbook, and phonograph records were presented to appropriate recipients. In both Moscow and Leningrad a small abstracta exhibit with photo copies of manuscripts, letters, and song covers and photos added still another dimension to the festival.

FACILITATING A STATE VISIT

The State visit of Romanian President Nicolas Ceausescu to the United States in December, 1973 was extensively publicized in Romania with vigorous assistance from USIA. At the request of the Romanian Government, the Agency's Motion Picture and Television Service (IMV) provided a TV crew, transportation, lab services and ground lines to facilitate the work of the visiting Romanian television crew. The combined American-Romanian resources resulted in the telecast in Romania of 11 film and videotape reports, totalling 175 minutes of nationwide air time during the seven-day visit. In addition, the Romanian Service of VOA provided saturation coverage of the visit, reporting it in depth with on-the-spot broadcasts. The USIA Press Service (IPS) provided daily photo coverage and a daily wireless file roundup made available to Romanian newspapers and magazines by our post in Bucharest.

CULTURAL CENTER PRESENTS VARIED PROGRAMS

The American Cultural Center in Bucharest, with its library, auditorium, display rooms, and English teaching facilities, draws heavily upon USIA media, for programs about contemporary developments in the United States. When Herbert Stein, Chairman of the Council of Economic Advisors, and Gabriel Hauge, Chairman of the Board of the Manufacturers Hanover Bank in New York, lectured about the current American scene during their visits to Bucharest in May 1973, their audiences had been prepared for the discussions by several earlier presentations on videotape by other American specialists on international trade and finance which had been prepared by the Agency's Cultural Division (ICS). The Center's collection of tapes and records of American music, microfiche documentation about American science and technology, a library of historical and contemporary works, including current periodicals, and a series of exhibitions on contemporary and historical American art draw visitors of varied interests. At the library also can be found summaries in Romanian and in English of American policy statements and other materials from the Press Service's (IPS) daily file, copies of which also are made directly available to Romanian officials and media.

American performers, such as the singer Odetta, are featured in programs at the Center's auditorium, many of them coming to Bucharest under the auspices of the State Department's Cultural Presentations Office (CU). Films are shown throughout the year, including films from the Classic American film series selected by USIA's motion picture and television service (IMV).

CULTURAL CENTERS IN YUGOSLAV REPUBLICS

For the past several years, cultural and information programming in Yugoslavia has been extended by the development of activities at the Republic level.

New U.S. Information Centers were established (Ljubljana in 1972; Skopje in 1973; and a third will be opened in Sarajevo in 1974).

The new USICs have enabled us to greatly expand our program contacts by placing at the disposal of our USIC Directors the various media products of the Agency, including major exhibits such as Outdoor Recreation USA and Educational Technology previously shown only in Belgrade and Zagreb, in which major cities USIA programming traditionally had been concentrated. News photos and graphic exhibit materials for the Center's display windows supplement our bulletins and other publications. Visiting speakers from American universities and other institutions and individual performing artists are programmed at the centers. Selected items from the Wireless File and IPS Feature Stories are supplied directly to local media, while motion pictures and TV clips are shown to the general public, as well as to specially invited audiences.

**STATEMENT OF DR. DOROTHY DILLON, ASSISTANT DIRECTOR,
U.S. INFORMATION AGENCY (LATIN AMERICA)**

Dr. DILLON. Mr. Chairman, I will read the statement first.

Secretary of State Kissinger's recent initiatives with respect to Latin America beginning with his meeting with Latin American representatives at the U.N. last fall and continuing in February with his visit to Panama and his attendance at the meeting of Foreign Ministers in Mexico have improved significantly the psychological climate for United States-Latin American relations. These meetings, plus the OAS General Assembly meeting to be held in Atlanta, Ga., in April, and the Secretary's planned trips to various hemisphere countries later this year, hold promise for increased understanding and cooperation between the United States and the countries of Latin America and the Caribbean.

PUBLICIZING, EXPLAINING, INTERPRETING U.S. ACTIONS, POLICIES

Whether the promise will be fulfilled depends on many factors, not the least of which is the translation of the new spirit in inter-American relations into actions. How the spirit and the action will be viewed in Latin America will depend to a considerable extent on how they are publicized, explained and interpreted. USIA has an important role to play in this latter endeavor.

On February 7, when Secretary Kissinger signed the agreement of principles for a new Panama Canal treaty and delivered an important policy speech, USIA arranged extensive TV coverage of the signing ceremony via satellite, microwave and video tape recording. As a result, the Secretary's remarks reached a potential audience of 80 million in Latin America where the ceremony was witnessed either at the time it occurred or shortly thereafter on prime time television. Additional millions heard Voice of America coverage of the ceremony either live or on tape on 411 radio stations in the area or read the text of the Secretary's address provided to the Latin American press by the Agency's wireless file.

For the meeting of Foreign Ministers in Mexico, thorough coverage for that event was again assured through a coordinated Agency-post effort involving satellite telecasts, television newscasts, Voice of America broadcasts and wireless file coverage. In addition, video tape recordings of interviews with key members of the high-level

congressional delegation accompanying the Secretary to Mexico were made for showings by our ambassadors and other mission officers to selected priority audiences in Latin America.

During Fiscal Year 1974 as in Fiscal Year 1973, USIA programming resources in Latin America were concentrated on achieving greater understanding of and support for United States economic policies and for the U.S. position on such critical issues as those related to fisheries and the territorial sea, the Panama Canal treaty negotiations, and illegal international drug traffic.

Programs dealing with economic issues included: sponsoring, in cooperation with the Department of State, a visit of a dozen important economic journalists from various Latin American countries to Washington, D.C., and New York City to meet with senior government officials and leaders of private industry for discussions on such subjects as U.S. economic policy, monetary issues, trade and investment; a visit to Philadelphia of five editorial writers from leading Mexican newspapers, jointly sponsored by USIS Mexico and the American Chamber of Commerce in that country; and the initiation by USIS Bogota of an experiment involving informal discussions between American resident businessmen and small groups of Colombian university students designed to clarify the role of private investment in the development of the Colombian economy. These and other programs designed to reach key audiences in Latin America concerned with economic matters are strongly supported by Agency publications such as "Economic Impact," books and other thematic materials, a bimonthly collection of professional articles on economics called "Portfolio," speakers, films, video tape recordings and Voice of America programs, such as the daily correspondents feeds which are carried by more than 1,800 radio stations in the area.

The Agency has begun to play a more active role in supporting the Departments of State and Commerce efforts in the areas of export and tourist promotion. Activities in this area included special coordinated media coverage for the U.S. aerospace exhibit at the Sao Paulo air show in September; facilitative assistance to the Indiana Trade Mission which visited Brazil in October; support for a seminar on hydroelectric systems sponsored by the Department of Commerce and held in the binational center in Asuncion, Paraguay; and, in a number of countries, special media coverage involving Voice of America, the wireless file and post use of local media for the trade opportunities program (TOP) of the Department of Commerce. As a result of these cooperative efforts between government and private enterprise, millions of dollars worth of orders for U.S. equipment and other products have been generated.

In support of the anti-narcotics efforts of the U.S. Government, Agency and field posts' representatives serve on interagency and embassy narcotics committees, and USIS posts, supported by materials provided by various elements of the Agency, work with high-level country officials and communicators in efforts to persuade Latin American decisionmakers that the narcotics problem requires international cooperation.

PROJECTS IN FIELD OF ARTS

During the past year the Agency has sponsored or collaborated in a number of very successful projects in the field of the arts. Outstand-

ing among such efforts was Agency cooperation with the Chicago Contemporary Museum of Fine Art and the National Collection of Fine Arts in an exhibit at the prestigious Sao Paulo biannual art show; support to a very successful run of "Godspell" in the binational centers in Montevideo and Asuncion; and cooperation with binational centers in sending the Elvin Jones Quintet to nine countries where the group played to packed houses and received critical acclaim.

REVIEW OF USIA LIBRARY OPERATIONS

USIA is currently involved in an in-depth review of its library operations in Latin America and in a renewed effort to upgrade the quality of English teaching in the binational centers in the area. Libraries in three posts in the Caribbean have already been completely overhauled and significant changes are being made in the USIS libraries in Argentina, Brazil, and Mexico.

FIELD OF ENGLISH TEACHING

In the field of English teaching, increased resources are being devoted to training BNC [Bi-National Center] directors of courses and key teachers in an effort to raise the level of teaching in these institutions. We also plan to establish an English teaching resource center at the BNC in Bogota. The area office and the Information Centers Service are collaborating closely in all these endeavors.

AGENCY MAGAZINE, "HORIZONS: USA"

In an effort to consolidate and make more effective the Agency's publication program in Latin America, the area office in consultation with the Press Service, agreed to abolish seven post-produced magazines and concentrate Agency resources on producing an area insert for the new worldwide Agency magazine, "Horizons: USA." The area office transferred to the Press Service the positions need to staff the production of the insert.

CONCEPT OF REGIONAL PROGRAMING

To meet the problems posed by the Agency's shrinking resources, ILA [Latin America Bureau of USIA] initiated the concept of regional programing during the last half of fiscal year 1973. USIS posts in Central America and Panama agreed to pool their resources in order to increase both the quantity and quality of their programs at no extra cost. With funds pooled from the budgets of the six participating posts, a series of 10 special programs were arranged for fiscal year 1974. As a result of this experiment, posts in the four Andean countries of South America, five posts in the Caribbean and the four USIS posts in the southern cone of South America are attempting to work out similar programing arrangements. These regional programs are coordinated in Washington by the area office in collaboration with various elements of the Agency and the Department of State.

LATIN AMERICAN POSTS REFINING PROGRAMING EFFORTS

Latin American posts are also refining their programing efforts through the installation of a new audience information storage re-

trieval and distribution system, designed by the Agency's Office of Administration, which will enable them to focus on priority audiences in a more efficient manner and to make the important contact work of USIS officers more effective.

BUDGET REQUEST FOR PROGRAM IN LATIN AMERICA

For fiscal year 1975, the Agency is requesting \$22,439,000 for its program in Latin America. Although this is an increase of \$1,547,000 over the fiscal year 1974 budget for the area, this larger amount will only maintain our programs at essentially the same level as this year due to rising costs. The increase includes \$1,081,000 for increased costs of wages and operations; \$196,000 for increased reimbursement to the Department of State for shared administrative support; and \$270,000 for capital assistance to binational centers in four countries. The above budget will enable us to maintain 35 principal and branch posts in 22 countries of Latin America and the Caribbean, staffed by 185 Americans and 640 nationals.

INCREASED USE OF RESEARCH FACILITIES

During the past few years, we have made increasing use of the research facilities of the Agency in order to enable us to evaluate our programs and to assist us in making policy and program decisions. Among the projects agreed upon in consultation with the Office of Research have been research on the "Ahora" television program, on Agency-produced films, and on the Latin American book translation program.

AGENCY'S COVERAGE OF SECRETARY KISSINGER'S VISIT TO PANAMA

I appreciate this opportunity to explain and comment on the purpose and direction of the Agency's program in Latin America. I also have attached to the opening statement a note on Agency coverage of Secretary Kissinger's visit to Panama which I think will give you a good example of how the various elements of the Agency work together in trying to give the kind of coverage that we want to give to this kind of important event. Thank you very much.

[The information referred to follows:]

NOTE ON AGENCY COVERAGE OF SECRETARY KISSINGER'S VISIT TO PANAMA

[Supplied by USIA]

Secretary of State Kissinger's trip to Panama, during which he signed the "Agreement of Principles" for the Panama Canal Treaty negotiations, demonstrates the close coordination between the Area Office, the Motion Picture and Television Service (IMV), the Press Service (IPS), the Voice of America (IBS), and the posts. While this coordination and cooperation is an ongoing process, special events like the Secretary's trip serve to highlight it.

Television

An IMV crew, sent to Panama, took charge of providing live television coverage of the signing ceremonies and Secretary Kissinger's address. Transmitted via satellite, this 58-minute program was telecast simultaneously by seven countries, with Brazil confining the telecast to the Secretary's address. Seven additional countries carried the program by microwave or other means (landline or VTR) either for immediate telecasting or delayed showing. These programs reached a potential audience of 80 million viewers.

Radio

The Voice of America broadcast live, on shortwave, the Secretary's speech. These broadcasts were retransmitted simultaneously, or rebroadcast at a later time, by 411 stations throughout Spanish-speaking Latin America. Additionally, the Voice broadcast special correspondents' reports, news reports and analyses of this event. Similar, though less extensive coverage was provided to Brazil.

Press Service

The Secretary's visit to Panama generated 16 wireless file articles, commentaries and texts, totaling nearly 10,000 words. The bulk of these were transmitted during a three-day period coinciding with the Secretary's visit.

Centers Service

Much of the material referred to above will ultimately have a secondary use. Thematic programs prepared by ICS and used in seminars and lectures by USIS posts will incorporate some of this material in their multi-media presentations.

Senator PELL. Thank you very much, Dr. Dillion.

U.S. RELATIONS WITH LATIN AMERICA

Do you believe that the concern of the United States of the last several years with what happens outside our hemisphere has had a deleterious effect on our relations with Latin America?

Dr. DILLON. Well, from the point of view of the Latin Americans, they felt that the U.S. Government, because it was occupied with Eastern Europe, Western Europe, the Middle East, had not given as much attention to Latin America as they felt they deserved. It is for this reason that I mentioned in the beginning of my statement that there seems to be a new spirit in the inter-American relationship at the moment because the Latin Americans are extremely pleased as a result of Secretary Kissinger's visit to Panama, the Agreement on Principles signed in Panama, his meeting with them in Mexico and the fact that the Secretary will again meet with the Latin American Foreign Ministers just prior to the OAS general assembly which is scheduled for next month in Atlanta, Ga.

ADEQUACY OF USIA FACILITIES IN LATIN AMERICA

Senator PELL. Do you think that our USIS facilities are adequate in the different countries in Latin America? Are your libraries adequate and are they representative of American architecture?

Dr. DILLON. We are, as I indicated in my statement, are having an in-depth review of both the substance and the appearance of the libraries in Latin America and we are attempting in the cases where improvement is needed to carry out that improvement. Perhaps some of the most interesting developments are occurring now in Brazil where we are in the process of setting up three new resource centers in Brasilia, in Sao Paulo and Rio. In the case of Brasilia there is a new center which has been designed by a leading American architect and it will be a showcase in Brazil.

In the case of Rio and Sao Paulo we have had centers there but we felt the location and the physical appearance were not adequate and as a result we have put in additional funds so they can set up centers in more attractive places and also change substantively the nature of the libraries.

USIA PERSONNEL

Senator PELL. As you know, yours is one of the most highly paid government agencies. USIA has a high percentage of top professional salaries.

Do you feel that your people are exciting and lively and project the American view in an excellent way and, if not, what can be done to make your people a little more representative of the very best in America.

Dr. DILLON. I think the Agency is continuing in its personnel policies to try to get the best possible officers for our service overseas, and I must say that when I look at the younger officers in our Agency today—and I have a number of them in my own shop as well as in Latin America posts overseas—I find them to be a very impressive group. I find that the quality is very high, and that we have more and more such people applying for service in the Agency.

Perhaps we have been favored by the fact that other opportunities are less than in the past for them and, therefore, they have looked to the government to a greater extent than in the past but whatever the reason, I must say that we have a very good group of young people coming into the Agency.

Senator PELL. I have noticed that, too, I think the young people are of the highest caliber. I think those who are middle-aged or the other side of middle-age, as myself, I don't think they are of the same caliber. We want to be sure that all is done that is possible to keep these young people in the service and working for the government.

Senator Pearson?

ECONOMIC ACTIVITIES

Senator PEARSON. Dr. Dillion, I had another committee meeting and I apologize to you for not hearing your whole statement, but I continue to be concerned about the economic activities. I view your role as vital, and I just have a sense of apprehension about launching out into this economic endeavor. I have no objection to this exchange of economists from the United States to or bringing them to Washington or New York City or having businessmen talk to college students, but you use the phrase "in areas of export and tourism." Tourism seems proper, but what activities have you engaged in, if any, other than these exchanges of economists and businessmen talking to students? Are you having any contact with bringing American businessmen together with Latin American businessmen so that they can reach contractual agreements or exchanges, and so forth?

Dr. DILLON. Well, the kind of thing that we do is to bring people together whether they are business people from the United States with fellow businessmen from Latin America or whether they be university professors with university professors in Latin America or students, the attempt is to bring American groups and groups from Latin America together to have an exchange of ideas and information. We feel that we can assist in this kind of dialogue between the United States and Latin America. You will recall that the Latin Americans have for a number of years been calling for a new dialogue with the United States, and when they say that, they do not mean only U.S. officials or the U.S. Government. The writers are interested in talking to writers in the United States; academicians are interested

in talking to fellow academicians in the United States; and we also can play a role by bringing together various groups in a country. They may be academicians, they may be government officials, they may be students, they may be businessmen, brought together to have a dialogue with some important American official or private individual to discuss an issue of common interest to the Latin American group concerned and to the United States.

EXHIBITIONS SHOWING AMERICAN PRODUCTS, TECHNICAL ACHIEVEMENTS

Senator PEARSON. Have you had any exhibitions sponsored by USIA which were solely for the purpose of showing American products and technical achievements, and so forth?

Dr. DILLON. In my opening statement I did mention that we gave facilitative support and coverage to the U.S. Aerospace exhibit at the São Paulo air show. We also worked with the Department of Commerce in a seminar that was set up and held in our national center in Asuncion, Paraguay, to deal with hydro-electric systems and we have given support to the Trade Opportunities Program of the Department of Commerce, that is, given the program publicity.

We have brought together media people in a particular country, discussed the program and, as a result, orders were generated. That kind of facilitative assistance was given.

Senator PEARSON. Well, thank you very much.

Senator PELL. Thank you very much, indeed.

If we can move on to the statement by Mr. Gilbert Austin, Near East, North Africa and South Asia, I am hopeful that we can get through in time. I have a few questions I want to ask Mr. Keogh, so maybe Mr. Austin might care to abbreviate his statement. We have had an opportunity to read the statements.

STATEMENT OF GILBERT AUSTIN, ASSISTANT DIRECTOR, U.S. INFORMATION AGENCY, NEAR EAST, NORTH AFRICA AND SOUTH ASIA

Mr. AUSTIN. All right, sir.

Senator PELL. It will be printed in full in the record.

Mr. AUSTIN. Yes; thank you, sir.

CONSOLIDATION OF SOUTH ASIA AND MIDDLE EAST-NORTH AFRICA AREAS

I think that one of the useful things I could do in an abbreviated form would be to describe the reorganization that has taken place within USIA during the past year consolidating what used to be two areas, the South Asia area and the Middle East-north Africa area. These two areas were consolidated in November with some saving of personnel realized both in Washington and abroad. Also this helps our liaison with the Department of State in that we correspond more nearly with their organizational structure at this time.

BUDGET REQUEST

So the budget that I am requesting for this year for Near East, north Africa and Far East area is \$22,778,000 for operations in 18 countries,

28 posts. This represents an increase of \$1,272,000 over a year ago. Largely the increase is for salary costs and increased other costs but also reflects special funding for science textbook program in India, and relocation of offices in Islamabad.

RELATIONSHIPS WITH MEDIA COLLEAGUES

Our efforts and relationships with our four media colleagues have been outstanding, I think. In the interest of time I won't go through my testimony since you indicate that it will be printed in full in the record. I would like to touch briefly on the Agency's manpower, and increased emphasis in support of U.S. economic policies, which has been going on in several countries in the area, Pakistan, Iran, Israel, and also in Persian Gulf and Saudia Arabia.

PUBLIC ATTITUDE IN BANGLADESH REGARDING THE UNITED STATES

A notable change from last year in the area that I represent has taken place in public attitudes in Bangladesh with respect to the United States. When we were here a year ago I described a situation where the United States was regarded with coolness and suspicion in Bangladesh. That has changed a very great deal in the past year, and specifically in the past 3 months. There are many factors that went into that, but the Dacca Embassy believes that we in part at least made a contribution to that turnaround.

With that, Mr. Chairman, I will end my summary.
[Mr. Austin's prepared statement follows:]

PREPARED STATEMENT OF MR. GILBERT AUSTIN, ASSISTANT DIRECTOR, U.S. INFORMATION AGENCY, NEAR EAST, NORTH AFRICA AND SOUTH ASIA

Mr. Chairman and members of the committee: Before I describe what USIA does in this part of the world, with your permission I would like to sketch out very briefly some facts about our operation—its organization, its geography, its staff and its budget.

The North Africa, Near East and South Asia area was established last November by consolidating two former separate geographic areas. The consolidation permitted economies in personnel and more efficient use of other resources. Our present configuration parallels more closely the corresponding area in the State Department which facilitates liaison between our two organizations.

The area extends from Morocco to Bangladesh. To staff 28 posts in 18 countries, we employ 124 Americans and 1011 local employees. They are supported by 18 persons, including clerical staff, in the Washington area office. Area-wide this represents a reduction of 12 Americans and 152 local employees from the 1973 levels.

The area budget for FY 1975 is projected at \$22,778,668. This includes \$8,592,824 in foreign currencies and \$14,185,844 in dollars. USIS programs in India, Pakistan, Egypt and Tunisia are funded largely in foreign currencies, the others in dollars. In FY 1975, costs for personnel in Bangladesh and Lebanon, and for our publications program in South Asia have been reduced. The foregoing represents an increase of \$1,272,000 by FY 1975 over the previous year in foreign currency and dollar funding for a scientific text book program in India, relocation of the office and American Center in Islamabad, and increased salary and other costs.

In this large and diverse area, the major U.S. policy objective is concerned with maintenance of peace and stability. USIS programming relates directly to creating an understanding of that objective.

The geographic area which we represent has historic and current political and social issues which have intensely affected public attitudes toward the United States. There have been periods when official and public attitudes have been

such as to sharply inhibit the scope of USIS activity. U.S. purposes are often either distorted or simply misunderstood. It has been our experience that a useful means of correcting misunderstanding is swift dissemination of timely, factual information about the U.S. and its policies.

The United States does of course have characteristics which are enormous assets in an information program. Our objective in support of peace and stability serves the mutual interests of all nations. Any well-designed program that bears this message is ultimately credible to many audiences. Second, America with its freedom of expression and demonstrable creativity continues to have great appeal. Third, the U.S. record for scientific, technological and management accomplishments attracts audiences to USIS programs in these fields. Therefore, USIS programming often is able to continue during times of political stress between the U.S. and countries of the area.

The foregoing assets are effectively enhanced by the wide range of quality information services provided to USIS posts by our USIA media colleagues from the four media services—Information Center, Motion Picture-TV, Press and Publications, and Radio, better known as VOA. Let me give you some examples.

During the October war, most USIS programs in the Middle East were sharply curtailed. Interestingly, the expected wartime attacks on U.S. policy from the Arabs did not occur in the same measure as before. Most criticism of the U.S. was reasoned and, therefore, subject to rational response. All media and much of Middle East officialdom looked to USIS for official statements (printed, audio and visual), and supporting materials on U.S. policies. Arab media and official contacts sometimes solicited USIS officer clarification of policy points. The Wireless File was invaluable in meeting their requests, and in keeping U.S. officials overseas informed.

USIS was able to respond to Arab official and media interest during and since this crucial time by using USIA Washington media service materials. These materials included Press Service texts, backgrounders, feature stories and edit roundups, on a 7-day a week schedule during the war. VOA prepared radio news feeds which were broadcast regularly by Lebanese and Moroccan radio. These broadcasts were so well received by audiences that, once the war started, Radio Lebanon and Radio Morocco increased their frequency to six and seven 5-8 minute broadcasts weekly. Each of the feeds involved a correspondent's report on one or more aspects of American developments related to the Middle East. It speaks well for the credibility of the reports that Lebanon and Morocco should have increased usage of these materials during the war. VOA correspondents in Beirut, Cairo, and Tel Aviv supplied fast area news coverage for the Arabic and English Services' daily broadcasts. These Services also carry rapid reports on U.S. events, policy statements and press conferences.

Our Motion Picture/TV Service provided news film clips and video tape recordings (VTRs) and films featuring press conferences, policy statements and speeches. In Cairo, Jidda and Tel Aviv, USIS supplied official texts and speeches to ministries of foreign affairs at the request during the war and in its aftermath. Secretary Kissinger and the U.S. peacemaking initiative have been the subject of much media output.

The Information Center Service last year quickly and effectively responded to a USIS India request in mobilizing human and material resources for a major new seminar series. Designed to reach Indian intellectuals, the series is exploring the attitudes, beliefs and sentiments which give order and meaning to the political process and which provide the underlying assumptions and rules that govern behavior in a political system. Some early participants were historian Daniel Boorstin, editor Norman Podhoretz, and professors Nathan Glazer, Leo Gross, and Robert Scalapino. Numerous other speakers of this caliber have been provided through the Information Center Service in cooperation with the State Department's Bureau of Educational and Cultural Affairs. Indian response has been gratifying, and the program will be continued during FY 1975.

USIS cultural centers in the area provide a locus for displaying American culture and our intellectual achievements, and a forum for continuing dialogue on international issues with our contacts. All of the USIA media services, in cooperation with our Information Center Service, provide these centers with diverse multi-media program materials. During the past year, for example, these have included 52 speakers from American universities, government and

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the arts; a special program of materials to commemorate the 100th birthday of Robert Frost, and exhibits, posters, slide shows and audio-visual equipment. Another attraction is an American Theatre package, including a University Players group, that is being created and will tour the area from Cairo to Dacca.

As posts gained more experience with VTR programming during the past year, they reported increasing effectiveness with this flexible program device. Our Motion Picture and Television Service sent out 208 VTRs covering 73 different programs during the last half of 1973. Press Conferences by Secretary of State Kissinger, economic interdependence and energy programs were the favored programs in use by field posts. We expect increasing use of this valuable tool in the future.

The Motion Picture and Television Service also produces regularly two monthly film series, both 30 minutes long, that are widely used by area stations: *The Science Report* reviews U.S. achievements in science and technology; and *Vision* combines short sequences on American life, events and personalities.

USIA's Press and Publication Service, produced our regional Arabic language magazine, *Al Majal*, which has a regular circulation of 20,000 in the Arab world. We feel it has been especially effective in interpreting U.S. policies and institutions.

In concert with the Agency's increased emphasis in support of U.S. economic policies, our Public Affairs Officers and their staff have met with Embassy commercial officers to determine just how USIS operations can systematically support mission commercial objectives. Our Washington staff maintains regular liaison with the Department of Commerce and furnishes guidance to the posts. Key posts have already stepped up their programs in support of U.S. trade promotion. One example was USIS Tehran's varied publicity for the opening of the U.S. Trade Development Center during November, followed by a series of articles in the post's Persian language monthly magazine on the Center and other forthcoming trade exhibits. In India and Pakistan posts reported intensive publicity campaigns to support visits of U.S. trade missions. Several other posts utilized regular Washington-produced press and radio features on new U.S. products and processes. Trade catalogue shows were held at some of our information centers. During the coming year our area, in cooperation with other government agencies will seek to increase resources devoted to trade promotion in Iran, Israel, India, Lebanon, Saudi Arabia, Kuwait and the Gulf States. An example is occurring this month in Israel where USIS Tel Aviv worked closely with the Departments of Commerce and State plus NASA to produce an exhibit of American products in five Israeli cities.

Favorable foreign policy developments in recent months in the area have created renewed respect for the U.S., resulting in enhanced programming opportunities for USIS. For example, the past year, public attitudes in Bangladesh towards the U.S. changed from coolness and suspicion to one which at present includes publicly expressed friendship and willing participation in USIS activities. Our Dacca Embassy believes that USIS cultural and media programs, particularly its information centers and leader exchange programs, have contributed to this improvement. In the Middle East, we are considering modestly increased programming in the Gulf States and Egypt, a reflection of improved relationships and renewed interest by the U.S. in this important part of the world.

BIOGRAPHY OF GILBERT F. AUSTIN

Date of Birth: April 6, 1921.

University Training: Graduate of the University of Washington in Seattle.

I served four years in the Army in World War II, then worked for five years on a newspaper near Seattle before joining the U.S. Information Agency in 1952. I first worked in Bombay for 4½ years, then in Helsinki—in both cases as Information Officer. Other assignments abroad have included two years in Calcutta, plus four years in Islamabad, Pakistan, as Director of USIS activities. In Washington I have worked with USIA's Press Service, with the Voice of America, as Deputy Assistant Director for the Near East and South Asia, and, from August 1972 until last November, as Assistant Director for South Asia. In November I was appointed Assistant Director for the new geographic area comprising North Africa, the Near East, and South Asia.

Senator PELL. Thank you.

PUBLIC ATTITUDE POLLS

Picking up one of the points you mentioned, Bangladesh, do we have any means of measuring what public opinion is toward us? Do we still conduct polls?

Mr. AUSTIN. No, sir, there is no polling organization in Bangladesh that we can contract with, and they are not interested in having us do it ourselves.

Senator PELL. Doesn't the USIA take polls in any part of the world at this time?

Mr. AUSTIN. Yes, we do in certain countries.

Senator PELL. Which countries?

Mr. AUSTIN. Well, public attitude polls we don't conduct in many of the countries that I represent. We do conduct media product survey research in several countries. For example, our Arabic language magazine has been checked into in Lebanon, Tunisia and Morocco to see whether people liked this format and content. Public attitude polls we do not conduct in our countries. There are other polls relating to media which are conducted; VOA for example, to determine listener attitude. These kind of surveys are conducted in several countries.

PERSONNEL WITH LANGUAGE CAPABILITY

Senator PELL. How many of your Foreign Service Information Officers [FSIO's] speak the language of the area to which they are assigned?

Mr. AUSTIN. 54 percent of those assigned to language-essential positions speak those languages. The language-essential positions, represent, however, an ideal that we are working toward and we have people in language training now but, at the present time 54 percent.

Senator PELL. To my mind that is not good because 100 percent of the people in language-essential positions should have language proficiency.

PERCENTAGE OF FSIC'S IN WASHINGTON

How many people do you have in your office?

Mr. AUSTIN. In Washington?

Senator PELL. Yes.

Mr. AUSTIN. We have 18 in the area office in Washington; 11 are officers and six secretaries and one regional secretary.

Senator PELL. Right.

How many in the field?

Mr. AUSTIN. We have 124 officers in the field.

Senator PELL. Obviously that proportion would change though, if you took the full number of people, of FSIO's in Washington, and compared that number with those in the field. It would come out more, I think, 50-50.

Mr. AUSTIN. I can't indicate what the percentage would be but, of course, there are FSIO's in each of the media.

Senator PELL. Right, I realize that so that is why it would not be too indicative.

REACTION TO OPENING OF BASE AT DIEGO GARCIA

One of USIA's announced roles is to identify and also to influence opinion in foreign countries. What has been learned about the re-

action of the foreign countries around the Pacific Ocean or the Indian Ocean basin to the opening of the base at Diego Garcia?

Mr. AUSTIN. The principle concern has come from India, and there have been several representations made by the Prime Minister and the Foreign Minister, and the press has had some on that. Ambassador Moynihan has responded to that publicly, and we have transmitted the Department of Defense and Department of State statements relating to the proposed improvements in Diego Garcia.

Senator PELL. All right. I thank you very much indeed. I wonder if Mr. Keogh would be kind enough to come back.

Thank you. It is very good indeed to see you and I think you are doing a fine job in a rather difficult slot. Maybe your people would like to stay with you, I don't know but this is up to you.

I had several questions which have come out of my mind in the last little while and also out of the hearings yesterday.

MORALE OF OFFICERS

First, how would you characterize the morale of the officers under you, middle, lower, upper echelon?

Mr. KEOGH. I would characterize the morale as good.

Senator PELL. I don't want to mislead you, but that is not the same flavor that we got from some of the officers concerned. The problem is that the USIA, I think, is still trying to find its mission.

PERCENTAGE OF FSIO'S STATIONED OVERSEAS

In this regard perhaps to illustrate what I am driving at what percentage of your FSIO's are overseas as compared to those stationed in Washington?

Mr. KEOGH. Mr. Chairman, I don't think I can answer that question with specific numbers.

Senator PELL. Roughly, I think it is about half and half.

Mr. KEOGH. Of the total number of Americans—I think maybe I can get you some specific figures here.

Senator PELL. Right.

Mr. KEOGH. Yes, of our total foreign service people, and these are the figures that we have, the way we have these figures, of our total 938 are in Washington of our foreign service officers, and 1,123 are overseas.

Senator PELL. I am looking at something here that has agency positions, USIA, grand total, domestic 3,100, overseas Americans, 1,184.

What does that mean?

Mr. KEOGH. That is total domestic employment and would include the civil service as well. That includes, that number includes 2,060 civil service employees who work in the United States.

Senator PELL. So what you are saying is that there are about 40 percent of your FSIO's are in America and 60 percent are overseas roughly?

Mr. KEOGH. That is roughly the right percentage.

Senator PELL. Right.

[The information referred to follows:]

ASSIGNMENT OF FOREIGN SERVICE INFORMATION OFFICERS

[Supplied by USIA]

As indicated above 1,123, or 54.5%, of the Agency's Foreign Service employees were assigned overseas and 938 or 45.5% were assigned in the United States on January 31, 1974. These data relate to *all* Agency Foreign Service employees—Foreign Service Information Officers, Foreign Service Reserve Officers and Foreign Service Staff Officers. Of the Agency's 940 total Foreign Service Information Officers, 613 or 65.2% were assigned abroad and 327 or 34.8% were assigned in the United States.

Senator PELL. I think this is one of the problems that bother these FSIO's because they think there ought to be a higher percentage overseas. They joined the foreign service in order to serve in a foreign service, and not to spend 60 percent or 40 percent of their time in Washington. This came up, I was just curious about what your reaction was to that.

Mr. KEOGH. Yes.

Of course, it is necessary to maintain a strong support organization as you know in Washington, Senator, and I am not entirely sure whether one can say that these percentages are what they should be. I recognize the point that you are making. However, it is necessary to maintain a strong team in Washington to support the field operations.

MORALE IN USIA, FOREIGN SERVICE

Senator PELL. I also have maintained friendships and contacts within the USIA and the Foreign Service through the years, and I would not agree with you that the morale is good. It has been worse, but it should be a lot better than it is, not because of your leadership, but simply because of the institutional problems that you face.

One of the thoughts we had originally in the creation of the U.S. Information Officer Corps was to have a very elite officer corps and, actually, I think one of the under-the-table reasons why the Department was so enthusiastic for it at the time was it saw it was a way of pushing out a good deal of dead wood by getting them first in the service and then selecting them out. It seemed a rather mean way of doing it, but I think that was very much in their thinking at the time.

SELECTION OUT

How much selection out has there been in this regard? I got the impression that a great deal of the dead wood is still there, not growing but static.

Mr. KEOGH. I can't give you any specifics on selection out but I can give you the general result. I would say there has been very little selection out. However, there has been a substantial amount of retirement. Again I don't have specific figures in my head but the number of officers retiring from the Agency service is a considerable number, and the movement is coming more in that way through retirement rather than through the selection-out process.

Senator PELL. It is more merciful for the people but it is a little hard on the taxpayers and on the national interests.

Mr. KEOGH. I would agree with that.

Senator PELL. Now——

Mr. KEOGH. Excuse me.

I am, of course, speaking of my own experience as I have seen it within the past year. If you wanted to go back somewhat ahead of this period of time that I am closely familiar with, I could have Mr. Kopp discuss what happened in some of the earlier years with regard to selection-out.

Senator PELL. I would be very glad to hear you.

Mr. Kopp. Thank you, Mr. Chairman.

As you know the career legislation was passed through your efforts, among others, in 1968 and USIA employed the selection-out authority for the first time in 1969. It is my recollection that in the first 2 years, 1969 and 1970, there was a substantial amount of officers, a substantial number of officers who were involuntarily retired under that new authority. The figure that sticks in my mind is approximately 140 officers. That is approximate, an approximate figure, but we had a large shock to our service through the utilization of the selection-out authority in the first 2 years of that act.

At those times our selection panels were asked to identify for selection out officers who fell in the low 10 percent of their classes.

After the first 2 years of that experience the selection panels started recommending to us that they thought that the low 10 percent was too high a figure that they thought they were reaching officers of considerable quality even in the low 10 percent, and they recommended a reduction.

So, in beyond that 2-year period we have employed, it is my recollection, the low 5-percent zone, and even then we have had some selection panels that have still told us that they feel that they are identifying in the low 5-percent zone officers of good quality.

So, the Director's recollection of his first year is that we have not used selection out but I can say that it was used to a considerable degree in the first 2 years of the authority.

Senator PELL. Thank you.

FOREIGN SERVICE INFORMATION OFFICER CORPS

Now, in connection with the creation of the separate Foreign Service Information Officer Corps. I find myself with some doubts. I think the young Foreign Service Information Officers who are coming in now are of superb quality and fully able to hold their own with Foreign Service Officers. They are on an equal basis with any other group in the Government but, as I said earlier, I don't think some of the others, the middle grades, may be quite so good.

Also I am wondering if I haven't been responsible for creating a little bit of a Frankenstein in two different Officer Corps where there should really be one Officer Corps. I think most Foreign Service information officers would benefit from being stationed in a consulate for a while or being an economic or political reporting officer, going back and forth. I think frankly most Foreign Service officers would benefit a great deal by a tour as a press officer. I am wondering if I was not wrong in sponsoring that legislation. I wonder whether we should not go back to a single Foreign Service Officer Corps with the information and the public affairs officers being drawn from the ranks of the Foreign Service, and with the cultural affairs officers being drawn under the original concept of the Reserve Corps from the ranks of

academia for a 3- or 4-year tour of duty and then be returned. I realize you have no vested interest except to see the best job done, Mr. Keogh, but what is your thought in this regard? In the last 30, 35 years I have seen the pendulum swing a couple of times from being under the State Department to being outside the State Department, and I was curious if you thought it might be better for the national interest if we had a single Foreign Service Officer Corps with the cultural fellows coming from the universities.

Mr. KEOGH. I do not think, Mr. Chairman, that I have yet formed a clear opinion on one Officer Corps or two. My impression, without really having any statistics, is that the Foreign Service Information Officer Corps, probably the majority of them, would favor the continuation of the Foreign Service Information Officer Corps.

Senator PELL. Obviously they would. I come from a city called Newport. We have two other cities next door, we ought to be one community. They don't want to do it. Then you wouldn't have three mayors, three chiefs of police, and three everything else. But I am asking you as a political appointee what your view is as to the national interest in this regard.

SOURCE OF CULTURAL OFFICERS

Mr. KEOGH. Yes; as I say, I do not think I have come to a very clear-cut opinion on that. However, I do have a clear opinion on the source of the cultural officers. I believe it is in the national interest, and we are better off, to produce our own cultural affairs officers in our own system rather than depend upon recruiting them in a lateral sense from the academic world. Watching the performance of our officers, I feel much better about it, and I think we get a much better result when we have genuinely good, well-trained cultural affairs officers who are part of this career service, who are performing those duties, and I am hopeful that a great many of these young people who are coming into our service now will be career cultural affairs officers and I feel that is in the better interests of the country than trying to bring in people in a more or less lateral sense from the academic community.

Senator PELL. Don't you feel that the kind of individual who will be a senior cultural affairs officer in his 40's or 50's will probably not be of quite the same quality as a university professor or writer or painter, somebody of that sort, who had been in the nongovernmental life acquiring these expert credentials.

Mr. KEOGH. I believe that we can and do use a number of such officers to great advantage who come in as specialists in their field.

However, I feel that the cultural affairs officers who work in our posts overseas need to be, in a sense, cultural generalists, if I may use that combined term, and that they need to be trained, and their approach should be toward a broad cultural spectrum. I think we get those better if we have them as part of a career service, in the main, rather than taking a professor of English or a professor, or a painter to do that general part of our work.

Senator PELL. Well, to carry your phrase one step further, I would agree with you that they would be cultural generalists, but we will never have cultural generalists unless they have had experience in their fields of scholarly research or in a way that would mean that

they will have scholarly reputations, and that can't be gained in the Government.

Mr. KEOGH. I see the point, I see your point, of this matter of a man having his own reputation in an important field. I believe that our strongest effort in that area should be in taking those people and programing them into our posts. I see the cultural affairs officer as playing a role where he needs to be constantly developing, in a sense managing also; I see him as a professional in that field of carrying forward the cultural interests of the United States, and I think, generally, I hope we are bringing those people along to do this kind of work.

I would also like to see many instances in which we can promote the cultural affairs officer to the public affairs officer position. I hope that we can see more of that because I believe that the whole process should be combined, information and culture and we should not keep a dichotomy, that we should see these as one function working together.

Senator PELL. Perhaps, but I don't think that then the cultural man will have the respect in the community where he is that he should have. It depends on the level. If you get to a high level, I think you need a man with his own reputation, if you are getting to a generalist at a lower level, an administrative type, it doesn't matter. If you are going to have a man who is going to be a guest at the Academie Francais or be accepted in the Royal Academy, you have to have a man who has a reputation of his own, and this is what we want to see in the cultural officer ranks.

Mr. KEOGH. Yes; I understand this point and we do have, of course, now a considerable amount of interchange with the academic world. We also have, going back to your other point, a considerable amount of exchange with the Department of State. We are trying to promote more of that, and I hope we will be able to do so.

Senator PELL. We will leave this an open question then because I am personally inclined to the one-service concept.

QUESTION OF MORALE

Is your chief of personnel here by any chance?

Mr. KEOGH. I do not believe he is here.

Senator PELL. I think on this question of morale you may be so far in the stratosphere you may not be aware of it, but I don't think morale in the Service is as high as you think it is. I was wondering, for instance, if you had a survey taken recently or anything of that sort?

Mr. KEOGH. No; I do not think we have any survey of morale. I am not aware of any such survey.

Senator PELL. I won't pursue that for the moment.

PUBLIC OPINION POLLS OUTSIDE U.S.

In connection with public opinion polls, do we take public opinion polls in any other countries of the world outside the United States?

Mr. KEOGH. Yes; we do from time to time. We contract for polls in some countries. As Mr. Austin was saying there are some countries, of course, where polls are not possible because of the attitudes involved there, it is not possible to take them.

Senator PELL. Would you submit for the record a list of those countries where this has been done in the last fiscal year?

Mr. KEOGH. Yes, sir.

Senator PELL. Thank you.

Second, are the results of these polls unclassified and released to the public?

Mr. KEOGH. No; they are not unclassified. They are classified and there is a period of time on classification.

Senator PELL. What is their general classification?

Mr. KOPP. Mr. Chairman, their general classification is limited official use but some, just a few, are classified confidential, nothing higher than confidential. The general trend is limited official use.

Senator PELL. Then could you forward to the committee for the record not only the number of polls that have been taken, but if the results are limited to official use, at least the title of the poll, what it is about. We would be interested in having that in the record.

Mr. KEOGH. Excuse me, Senator, in our submission—I want to give you a bit of information about what is in our submission.

Senator PELL. Right.

Mr. KOPP. Mr. Chairman, in the submissions prior to the testimony in response to question number 6——

Senator PELL. Yes.

Mr. KOPP [continuing]. Submitted by the staff, we provided a list of all research reports, public opinion surveys and similar reports begun or completed since January 1973. So that is——

Senator PELL. That would answer my question, I apologize for not having checked that out first. Is that broken down by which are polls and which are studies? If we want the result of these, these would be classified and we would have to ask those on a classified basis, is that correct?

Mr. KOPP. Yes, sir, Mr. Chairman, but we would be happy to provide them in that form.

Senator PELL. Right. Thank you very much.

BLACK PROPAGANDA ACTIVITIES

What do we do in the way of providing funds to foreign newspaper editors for black propaganda? Do we do any activities of that sort?

Mr. KEOGH. No; Mr. Chairman, we do not have any black propaganda. What we do provide is this: We have journalists' tours of the United States which we facilitate through our foreign correspondents service. We aim to take these people or help them to travel in the United States.

Senator PELL. That is very white propaganda.

Mr. KEOGH. That is very white.

Senator PELL. Unless they get recruited by the CIA.

Mr. KEOGH. But we have no black propaganda activities.

Senator PELL. In connection with the CIA in this open hearing I would like to ask if you are in position to say you do not provide any cover to them?

Mr. KEOGH. I am in position to say that we do not provide any cover for the CIA.

Senator PELL. Thank you.

RETIREMENT BENEFITS FOR CLASS 4 FSIO'S

There is a possibility that the FSIO's in class 4 can be selected out for time in class in growing numbers without retirement benefits similar to the case of Charles Thomas, who was married to a constituent of mine and who killed himself.

The Foreign Affairs Employees Council has urged there be legislation to assure class 4 officers receiving retirement benefits or some administrative measures to assure this objective. We have not yet made up our minds how to approach this problem. I was wondering if you could make a declaration of intent similar to the one made by the State Department to keep foreign service information officers in class 4 in service long enough to earn entitlement to retirement benefits even though commencing in 1976, USIA will have employed many officers who then will have reached the limits of time in class.

This is a complex question but it involves whether we move ahead with legislation or whether you will be doing it through administrative action.

Do you understand the question?

Mr. KEOGH. I do understand the question, Mr. Chairman.

Senator PELL. Fine.

Mr. KEOGH. And we have been discussing that matter. What I would like to do is answer the question for you for the record and provide an answer in writing.

Senator PELL. Well, it involves this legislation that we may be working on tomorrow, and I don't mean to harass you, but if you would give us a declaration of nonintent or whatever your intent at this time.

Mr. KEOGH. Mr. Chairman, what I would say here is that while we have been discussing this problem we have not developed any administrative plans for alleviating the problem that you have discussed. However, we would support legislation that would alleviate the problem.

Senator PELL. I hate to see legislation enacted when it is not needed, and the State Department has made this declaration of intent so it is not needed for them. I hate to see it done separately just for you. We can do it but it would be much simpler if it could be done by administrative action. I am sure we all agree on the objective.

Mr. KEOGH. Yes, we do agree on the objective.

Senator PELL. What is bothering you about moving ahead in this field?

Mr. KEOGH. What I would like to do, if we may, is immediately review where we are on this point and get a statement to you this afternoon.

Senator PELL. All right.

That would be acceptable. I hope very strongly, and I think it would be better for everybody, for the Agency and the people involved, if you followed the same route as has the State Department. I would hope that you would see your way to doing the same as has been done for the Foreign Service officers. We look forward to your statement this afternoon.

Mr. KEOGH. Let us immediately review it.

Senator PELL. Thank you very much.

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[The information referred to follows:]

UNITED STATES INFORMATION AGENCY,
Washington, D.C., March 12, 1974.

HON. CLAIBORNE PELL,
U.S. Senate.

DEAR SENATOR PELL: This letter will serve as a commitment from the United States Information Agency that this Agency will not select out for time in class until they qualify for annuity, officers who have reached Class 4. This does not, of course, eliminate the possibility of selection out in the normal procedure for failure to maintain the standards of performance which any such officer must maintain to remain in the Service.

Sincerely,

JAMES KEOGH.

COMPLIANCE WITH AMENDMENT ON PROMOTION IN RANK ORDER

Senator PELL. What regulatory procedures has the USIA instituted to insure compliance with my amendment that promotions will only be by rank order?

Mr. KEOGH. Mr. Chairman, I am on record before this committee with the commitment that USIA as long as I am Director will promote in rank order. We did that last year, we are doing that this year.

Senator PELL. Again there is a difference between what USIA is doing and the State Department. This is one of these things which causes me questions. The State Department has instituted procedures to assure compliance, whereas USIA has not instituted any procedures in this regard. I would think that again the problem is exactly the same and both agencies should be doing the same thing, don't you?

Mr. KEOGH. I believe, Mr. Chairman, that the differences between the State Department and USIA do not have to do with promotion in rank order. They have to do with the specification of the numbers that the Department or Agency will promote and the time at which that number is decided upon, and the manner in which it is decided upon, but I don't think we have any differences with regard to promotion in rank order.

Senator PELL. No, I think the difference is whether you will, if you find the promotion line ends, want to drop the line in order to get somebody in or raise the line in order not to.

Mr. KEOGH. That is exactly the point of difference.

Senator PELL. And I would think that both groups should have the same view on it. What would be the reason for the difference in view?

Mr. KEOGH. Our view of this matter, Mr. Chairman, is this: that in the State Department operation, a very large operation, the Secretary does not get involved now under their new rules in the matter of where the promotion line will be drawn. That is settled, as I understand it, in a personnel mechanism.

We feel that since USIA is an agency that is relatively small, and where nearly all, if not all, of the top officers are known to the top officials of the Agency, that it is the responsibility of the management of the Agency to be involved in this, that we should not leave it to a mechanical process. As a result, our process is that all of the relevant materials are presented to me and, with the consultation with the other top officers of the Agency, we attempt to become involved and bring our judgments and understandings of performance and needs and budgetary considerations to bear on the decision as to where the line should be drawn in the promotion list.

KEEPING PROMOTIONS OUT OF POLITICS

Senator PELL. I must say I would strongly disagree with you that the management, which is a transitory management, should get into promotions. They wouldn't do it in the Army and Navy and they don't do it in the Coast Guard which is a small service, and don't do it in the Foreign Service. It will be very hard on the people who get promoted because it is conceivable that the administration could change in a few years and it would then mean somebody being promoted under this procedure would then be in dutch with the new administration coming in and vice versa. I think the promoting process should be kept away from management, which comes and goes with administrations.

Mr. KEOGH. Of course once again, Mr. Chairman, we are not talking about striking any names from lists or promoting in any other way except in rank order. The issue is different from that—

Senator PELL. I fully understand that.

Mr. KEOGH. This is a matter of numbers.

Senator PELL. That is right. It is because if it is known you dropped 5 numbers to get somebody from two to one that poor fellow will be quickly flown about if the administration changes next year. He will go to Timbuctoo. I think in the end you are not doing a service to these people because you want to keep the promotions out of politics. And you can't do it this way.

Mr. KEOGH. Well, I would say that, suggest that, certainly what we are trying to bring to bear in exercising judgment from our knowledge of this matter is certainly not a political matter. It has to do with a great many factors one of which, of course, is the very sheer factor of numbers, the number of high ranking officers we have, the budgetary factors involved but certainly the intention is not to inject any political factors into it.

Senator PELL. No, but it will enter into it and I would say this: No matter if you were a Democrat and Republicans were coming in and vice versa, I want to see the Service insulated from changes in the administration.

NOTIFICATION OF REMOVAL FROM PROMOTION LIST

Is this USIA regulation to the effect that if a person's name is removed from the promotion list drawn by the Selection Board that he or she is notified and given reasons for the deletion?

Mr. KEOGH. Yes, indeed.

Senator PELL. That regulation is in effect?

Mr. KEOGH. It is in effect.

Senator PELL. Thank you.

Would you submit it for the record?

Mr. KEOGH. Yes, we will.

[The information referred to follows:]

REGULATION ON NOTIFICATION OF REMOVAL FROM PROMOTION LIST

[Supplied by USIA]

In recent consultation with the American Foreign Service Association, the Agency agreed that in each case where an employee who is still in the Service

has had his or her name removed from the promotion list under MOA V-E 1146.8a or 1146.3, he or she shall be officially notified in writing of the particulars.

In recent consultation with the American Foreign Service Association, the Agency agreed to the following:

(a) Rank-Order List Provisions

1. After a selection board has submitted a promotion list to the Assistant Director for Personnel and Training, no alteration shall be made in the order of names on the list, and without the consent of the individual concerned, no name falling within the promotion zone shall be excluded from the promotion list except for one of the following reasons:

- a. Death, retirement, resignation, or separation from the Service;
- b. Language limitation requirements;
- c. Referral to the Office of Security or the Assistant Director for Personnel and Training on grounds that an individual in the subject of investigation or of proceedings involving loyalty, security, suitability, misconduct or malfeasance.

In each such case any employee still in the Service whose name has been excluded shall be officially notified in writing of the particulars.

Senator PELL. Thank you.

PROCEDURE IF NAME IS ADDED TO APPROVED LIST

Is there any procedure for notifying interested organizations such as AFSA [American Foreign Service Association] or the AFL-CIO groups if a name is added to the approved list as a result of the action on a grievance or an equal opportunity employment board decision.

Mr. KEOGH. I think we will have to provide the answer to that question for the record, Senator.

Senator PELL. Right, because there are cases where there will have been a grievance and you will find that you will put a person on and that should be a matter of record.

[The information referred to follows:]

PROCEDURE FOR NOTIFICATION IF ADDITION TO APPROVED LIST
RESULTS FROM GRIEVANCE BOARD ACTION

[Supplied by USIA]

There is no agreed-upon procedure now; however, this is one of several points on promotion procedure under consultation with the American Foreign Service Association and is presently being reviewed by the Board of the Foreign Service.

"STROWGER SYSTEM"

In the past I have either read or heard of a system the USIA has whereby congressional hearings can be broadcast and picked up in the USIA and other Government agencies. How does that work? By the way, what is it called?

Mr. KEOGH. Stroger, s-t-r-o-g-e-r.

Mr. KOPP. It is Strowger, s-t-r-o-w-g-e-r.

Senator PELL. How does it work and what does it do?

Mr. KOPP. Well, Mr. Chairman, I am not competent to talk about the technical end but let me try to describe if I may briefly what it is.

First of all, the system is never employed without the permission of the committee involved. It is essentially a media tool that if we are permitted through permission of the committee to turn on a hearing that is going on it allows, for example, our people at the Voice of

America at their duty desks down there to listen to the testimony and the news as it develops live from the committee hearing room without the necessity of being present in the room and, thereby, to get the information that much more quickly. It is essentially an information gathering tool where terminals, as I understand it, are put into the committee rooms, once again with permission of the committee only, and then turned on when appropriate to provide information to our various media operations. I may say, Mr. Chairman, this question has arisen several times in the past through inquiries from Chairman Fulbright, and we have provided, I think last year, in connection with last year's hearing, a full description of the system.

We would be happy to put that again if you desire it.

Mr. Keogh. Mr. Chairman, if I may add something, I think it also should be said that this system is in my recollection, in my experience in the past year, rarely if ever used with regard to a congressional committee hearing. It is used for other purposes such as picking up a Secretary of State's press conferences, picking up other events of that kind, so that the people who have these instruments in their offices can hear and get immediately that information.

Senator PELL. As you know, members of Congress are not particularly modest people, so we are delighted when it is done and that is why we always detest off-the-record meetings, luncheons, speeches and things, but we just wondered how that worked. I am informed by our staff here that they do not recall our being asked for permission in this regard.

So I think there is some communication foul up. We are delighted, at least speaking as one member of the committee I am delighted.

Mr. Keogh. It is not being used at this time, and let me check my recollection, it was not used last year before this committee. We have not used it the past year in connection with this committee and that is why there is no record for any request.

Senator PELL. You could only use it if one of the commercial people were making a tape. In other words, you could not do it now the way we are, could you if you wanted to?

Mr. Keogh. I am afraid I can't answer that question.

Senator PELL. I am not an electrician either.

BOOKS USIS PURCHASES FOR POSTS OVERSEAS

Now, in connection with the books that USIS purchases for posts overseas, I know that in fiscal 1973 the two most popular books were the "World Almanac," I must say I have got no criticism of that, and the "American Civilization" by Daniel Boston, no objection to that. Then the next largest book was one called "President Nixon and the Press" written by James Keogh. I am just curious, but it does seem a little unfair—speaking as an author of three books myself, how does one get on the favored buy list? Do you have to be a director?

Mr. Keogh. I suppose that might be the answer, Senator. [Laughter.]

Frankly, I had no idea that I appeared in that prominent place on that list until I saw the list about a week ago.

Senator PELL. As a fellow and not so successful author, I congratulate you. [Laughter.]

DISSEMINATION OF INFORMATION WITHOUT ATTRIBUTION

What would be your reaction to legislative action concerning the dissemination of information without attribution? This goes back to the black propaganda business. Currently, as I understand it, your Agency is mailing nonattributed material into mainland China, is that correct?

Mr. KEOGH. Let me say first of all that our general policy is to attribute everything to USIA. However, there are in a limited number of cases some materials distributed that do not carry the USIA label, and we have submitted a list of those to the committee.

Senator PELL. Well, in addition to that there is a list with a couple of dozen items in it, is that about it?

Mr. KEOGH. Yes, I think that would be it.

Senator PELL. Would you submit to us as well not only the titles, but a copy of each of the documents about which you are talking?

Mr. KEOGH. Yes, we will.

Now, Mr. Chairman, your specific question?

Senator PELL. If for some reason you do not wish them to appear in this hearing record, you can let our staff know and they will not be inserted in our record.

Mr. KEOGH. All right.

[The information referred to follows:]

MATERIALS DISTRIBUTED WITHOUT THE USIA LABEL

(Copies of these documents are in the Committee files)

[Supplied by USIA]

1. "Lesson Reference Notes" which are mailed into the People's Republic of China.
2. "Catalogue General 73/74"—Book catalogs which are reprinted by the Regional Center in Beirut and then distributed through commercial bookstores.
3. "Human Capitalism"—The publication of the translated proceedings of a major program on the future of the industrial world.

Mr. Chairman, you specifically asked about China.

Senator PELL. Right.

Mr. KEOGH. I am not aware of any nonattributed materials being sent into China.

Senator PELL. What I am looking at is what you submitted, non-classified called, "Lesson reference notes which are mailed into the People's Republic of China."

We asked you for a list of material produced by USIA which was disseminated without attribution and, in answer to your question, 14(b), you said, "English reference lesson notes mailed into the People's Republic of China."

I was just curious about the reason for it being nonattributed.

Mr. KEOGH. These are English teaching notes and in a number of countries the English-teaching notes are distributed without attribution.

Senator PELL. Is there any reason for that? What would be the reason? Let's discuss this for a moment.

Mr. SCHNEIDMAN. Mr. Chairman, this largely applies to Socialist countries wherein teachers tend to be officials of the state and it has been traditional that they not be put in any sensitive position by re-

ceiving materials from another government and, therefore, in most of the Socialist countries the English teaching notes have come in an unattributed or attributed to a nongovernmental source.

Senator PELL. All right.

In the early fifties when I was in the Foreign Service, I remember I took a course at American University in Soviet affairs. The teacher said write the Soviet Embassy and get their bulletin, so the whole class of 32 people wrote and got the bulletin, and then got on one of Senator McCarthy's lists because of doing that. I guess you are trying to avoid this problem for teachers in China.

In the end they will get in greater trouble, though, if it comes out it is produced, apparently clandestinely, than if it had the USIS label on it, I would think.

CULTURAL EXCHANGE PROGRAM

The USIS administers in the field the educational and cultural exchange programs of the Department of State.

How does this cultural exchange program work? Does it come under the cultural affairs officer at each post?

Mr. KEOGH. Yes, sir, it comes under the cultural affairs officer but we also, of course, encourage our public affairs officer, the top officer in each post to be very closely interested in the cultural affairs program and in the cooperation with the State Department's bureau.

STUDY OF USIA PROGRAMS

Senator PELL. Finally, at the request of the Foreign Relations Committee the Congressional Research Service of our Library of Congress has embarked upon an analytic study of USIA programs.

Can you give us your assurance, Mr. Director, that you will cooperate fully with this effort and will direct other members of the Agency to do so also?

Mr. KEOGH. We assure you we will give that survey the fullest possible cooperation.

Senator PELL. Fine.

OPENING OF EXHIBITION IN MONTEVIDEO

I thank you very much indeed for your patience and willingness to come back and be with us. As you know I am very interested in your Agency and I deeply regret I couldn't go to the opening of your exhibition in Montevideo. That is a part of the world that has interested me a great deal. I wish you well and I want to be of whatever help I can.

Thank you.

Mr. KEOGH. Mr. Chairman, I am sorry, too, that you couldn't be there because it would have been a great help to us.

I have two brief points I would like to make.

Senator PELL. Certainly.

NUMBER OF FOREIGN SERVICE OFFICERS OVERSEAS

Mr. KEOGH. One has to do with the number of foreign service officers overseas and those in the United States. As you will remember, there is a matter of history involved here and this is the large cuts taken in overseas operations in recent past years because of a balance of payments problem. In years just shortly preceding my time as Director very sharp cuts were taken overseas at the direction of the

executive branch and, I believe, with the very deep interest of the legislative branch.

Senator PELL. Correct.

Mr. KEOGH. To cut overseas, and that was the thrust at that time, and that has produced the result that we now see. A total of 272 overseas American positions were eliminated. Of that number, 83 were shifted back to the United States. We have tried in the past year to start changing that process, but the result is still there.

LANGUAGE CAPABILITY

The second point I would like to make briefly is that in the testimony of Mr. Austin there was some conversation about the percentage of our officers in language-essential positions who have the language. The area that he covers, of course, is an especially difficult area with regard to language, as you know. I would just like to say that in our eastern European and Soviet Union area 100 percent of our language-essential officers have the language and in Latin America 100 percent of our language-essential positions are occupied by officers who have the language.

Senator PELL. Right, thank you.

Could you furnish for the record the overall percentage figures and broken down by the six geographic areas you have? And what percentage of those positions in each area are considered language-essential and then what percentage are those language-essential posts filled by language-competent officers.

Mr. KEOGH. We will supply that for the record, Mr. Chairman.

[The information referred to follows:]

LANGUAGE DESIGNATED POSITIONS

[Supplied by USIA]

In our posts in Eastern Europe and Latin America our Foreign Service Officers are uniformly qualified to handle the routine requirements in the host country's language. The percentages in the attached chart are based on the high standards of a 3/3 proficiency which is called for in a Language Designated Position (L.D.P.).

LANGUAGE DESIGNATED POSITIONS

Area	Overseas FSID positions	Number LDP positions	Percent of total FSID posi- tions which are LDP	Number occupying LDP with 3/3 or better	Percent occupying LDP with 3/3 or better
East Asia and Pacific.....	139	63	45	22	35
Africa.....	76	31	41	25	31
Near East, North Africa, and South Asia..	93	29	31	16	35
Latin America.....	159	150	94	115	77
West Europe.....	130	78	60	60	77
Soviet Union and East Europe.....	43	39	91	10	26
Total.....	640	390	61	246	38

Note: All language designated positions at USIS posts are considered language essential and require a tested FSI language competence of 3/3/3.

Senator PELL. Good.

Thank you very much. I think this adjourns these hearings on the State Department authorization and USIA authorization budget.

[Whereupon, at 12:45 p.m., the committee adjourned, subject to the call of the Chair.]